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ABSTRACT

Eight selected U.S. foreign policy issues are explored in this study and discussion guide. Issue 1, "U.S. Foreign Policy: Projecting U.S. Influence," describes United States involvement in diplomacy, military power, intelligence, trade, and foreign aid since World War II. U.S.-Mexico relations are considered in issue 2, "Mexico and the United States: Ambivalent Allies," and economic factors are explored as issue 3 in "U.S. Trade and Global Markets: Risks and Opportunities." Policy changes are featured in issue 4, "The Soviet Union: Gorbachev's Reforms," while issue 5 investigates the "U.S. and the Middle East: Dangerous Drift?" Issue 6 considers selected world-wide concerns in "The Global Environment: Reassuring the Threat." History and recent changes in South Korea are addressed in issue 7, "South Korea: The Future of Democracy," and the document concludes with issue 8, "Western Europe: Between the Superpowers." Discussion questions and references follow each issue, and maps, pictures, tables, and graphs are included. An opinion ballot is appended. (JHP)

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# GREAT DECISIONS 1988

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# FOREIGN POLICY ASSOCIATION

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Since 1918, the Foreign Policy Association's purpose has been to help Americans gain a better understanding of significant issues in U.S. foreign policy and stimulate constructive and informed citizen participation in world affairs.

The Association's major function is to help define and call wide public attention to those major issues of contemporary foreign policy which government and people must resolve in democratic partnership.

FPA has no affiliation with government and receives no direct funding from it. The program is nonpartisan. As an organization, FPA does not take positions on foreign policy issues. It believes that individual and attentive Americans should choose and support the positions each considers best for the nation and our survival.

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# Contents

1 **U.S. FOREIGN POLICY**
Projecting U.S. Influence 5

2 **MEXICO & THE U.S.**
Ambivalent Allies 15

3 **U.S. TRADE & GLOBAL MARKETS**
Risks & Opportunities 25

4 **THE SOVIET UNION**
Gorbachev's Reforms 37

5 **U.S. & THE MIDDLE EAST**
Dangerous Drift? 49

6 **THE GLOBAL ENVIRONMENT**
Reassessing the Threat 62

7 **SOUTH KOREA**
The Future of Democracy 72

8 **WESTERN EUROPE**
Between the Superpowers 83

☐ **OPINION BALLOTS**
Fill out and mail your ballots! 95

GREAT DECISIONS, a study and discussion guide providing impartial background and analysis of eight of the most important foreign policy issues facing the nation, has been published annually since 1955 by the Foreign Policy Association.

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  The first program in the series will be available by March 4 at the latest. Please check local newspapers for dates and times that the series will be broadcast in your community.

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## Index to Recent Issues of Great Decisions

**AFRICA**
'87— South Africa
'84— South Africa
'83— Africa South of the Sahara
'81— South Africa

**ASIA**
'87— Pacific Basin
'87— Pakistan & Afghanistan
'85— The Philippines
'84— China & the U.S.
'83— Southeast Asia
'82— Japan
'81— China After Normalization
'80— Vietnam & Its Neighbors

**EUROPE**
'86— European Community & the U.S.
'85— Future of the Atlantic Alliance
'83— West Germany & the U.S.
'82— Western Europe & the U.S.
'80— Eastern Europe

**LATIN AMERICA**
'86— Democracy in Latin America
'85— Revolutionary Cuba
'84— Central America, Mexico and the U.S.
'83— Inter-American Security
'82— Central America
'81— Central America & the Caribbean
'80— Brazil's Rising Power

**MIDDLE EAST**
'87— Egypt & the U.S.
'86— Israel & the U.S.
'85— Iran-Iraq War
'84— Saudi Arabia & Jordan
'83— Lebanon
'82— The Palestinians
'81— Cairo to Kabul
'80— The Mideast & the Gulf

**SOVIET UNION**
'85— Soviet Leadership in Transition
'84— The Soviet Union
'83— U.S.-Soviet Relations
'82— Poland and the U.S.S.R.
'81— The U.S. & the Soviet Union

**DEFENSE & SECURITY**
'87— Defense & the Federal Deficit
'86— 'Star Wars' and the Geneva Talks
'86— International Terrorism
'85— U.S. Intelligence
'84— U.S. Security and World Peace
'83— Inter-American Security
'83— Nuclear Proliferation
'82— America's Defense

**ECONOMIC ISSUES**
'87— Foreign Investment in the U.S.
'86— Third World Development
'85— Budget Deficit, Trade and the Dollar
'84— International Debt Crisis
'83— Trade and Unemployment
'82— Global Inflation
'82— Protecting the World's Resources
'81— Made in the U.S.A.
'80— World Energy Crunch

**U.S. FOREIGN POLICY**
'87— Constitution and Foreign Policy
'86— How Foreign Policy is Made
'85— U.S. Intelligence

**OTHER CRITICAL ISSUES**
'87— Dealing with Revolution
'86— International Terrorism
'86— Religion in International Affairs
'85— Population Growth
'84— International Drug Traffic
'83— Nuclear Proliferation
'82— Protecting the World's Resources
'81— Food
'80— The UN at 35
'80— Humanity on the Move

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# INTRODUCTION

What do Washington headliners like George Shultz, Frank Carlucci, Dante Fascell, Zbigniew Brzezinski, Caspar Weinberger and Louis Harris have in common? They all read the GREAT DECISIONS "National Opinion Ballot Report." As Secretary of State Shultz wrote the Foreign Policy Association's president last October in a note thanking him for the 1987 report, "The views expressed by your respondents provide the Department with important insights into the thinking of the American public on key policy issues and I have always found the annual opinion results personally very helpful."

***John W. Kiermaier, FPA President, presented* Great Decisions '87 National Opinion Ballot Report *to Secretary of State George Shultz on October 5, 1987.***

That was not the only evidence that policymakers were interested in the opinions expressed by the GREAT DECISIONS participants who mailed in the ballots last year. A few days after the Shultz letter arrived, then national security adviser Carlucci asked FPA's chairman for a copy of the report. And a few weeks later FPA headquarters received a call from the Defense Department requesting permission to reprint extracts in an influential department quarterly.

For those of you who are new to the Foreign Policy Association and who are reading this foreign policy briefing book for the first time, GREAT DECISIONS, now in its 34th year, is the oldest and largest program of citizen education in world affairs; it is also the only program of its kind that invites you to discuss the major foreign policy choices facing this nation and—through the opinion ballots at the back of the book—to communicate your views to policymakers.

The high-level interest in the "National Opinion Ballot Report" reflects the fact that it is a unique source for policymakers. Where else can they obtain the views of citizens from across the nation who are interested in and concerned about American foreign policy, who have debated the issues and have informed opinions? The 1987 report, based on 53,259 opinion ballots cast—an average of 6,653 on each of the eight topics—reflected an extraordinary compound of opinions of community leaders and students, of people born before World War II and members of the post-Vietnam generation.

GREAT DECISIONS participants in past years have cast their votes on every major issue on the nation's foreign policy agenda—from the size of the defense budget to the U.S. role in Central America, from how to deal with the Soviet Union to U.S. policy on the Iran-Iraq war. GREAT DECISIONS participants are often out in front of their fellow citizens—and decisionmakers as well. In 1985, 78% of GREAT DECISIONS respondents favored increasing taxes to reduce the Federal budget deficit. On the question of U.S. policy toward the Iran-Iraq war—an issue that had not yet captured the public's attention in 1985—an overwhelming majority (75%) favored the U.S. observing strict neutrality toward the combatants; only 2% favored a tilt toward Iran. (The day the opinion ballot report was presented to the national security adviser the Administration secretly authorized Israel's sale of TOW antitank missiles to Iran—the first step in the arms-for-hostages deal. The Administration ultimately paid a heavy price for pursuing a policy opposed by the public.) In 1986, 42% of the respondents favored a new Alliance for Progress in Latin America.

Because of the importance of communicating GREAT DECISIONS readers' views to policymakers, we hope that discussion leaders will make certain that their groups' ballots are mailed in the envelope that is bound into the book. Should you wish to compare the views of GREAT DECISIONS participants in your state with those of the country at large, please get in touch with FPA for details. Only ballots received **before June 30** will be tabulated.

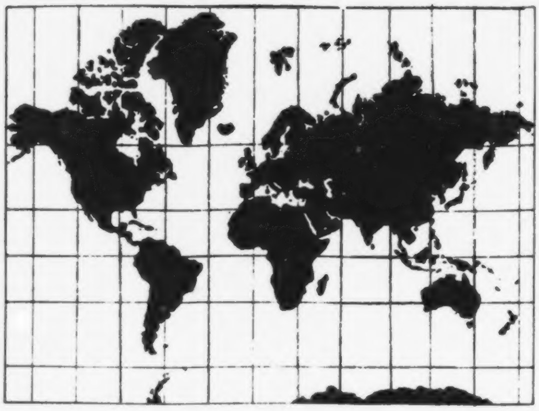
*Nancy L. Hoepli*
*Editor in Chief*

## Gift from the Ford Foundation

"Maps break down our inhibitions, stimulate our glands, stir our imaginations, loosen our tongues. The map speaks across the barriers of language," wrote the noted American geographer Carl Sauer. We hope that the enclosed world map, made possible by the generosity of the Ford Foundation, will do no less for GREAT DECISIONS readers.

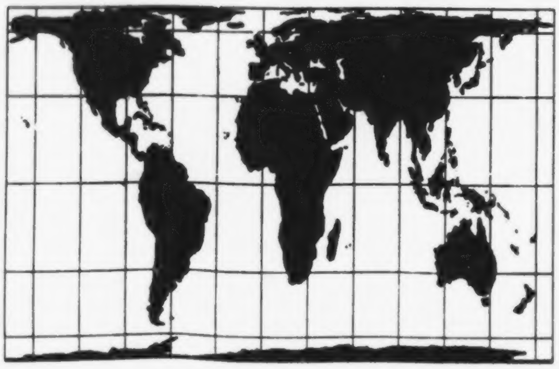
The map projection is by Arthur H. Robinson, past president of the International Cartographic Association. It combines the best features of two basic map projections: the equal area, which shows countries in their true size relationships but distorts their shapes; and the conformal, like the Mercator Projection, which preserves shapes but exaggerates area. (The Mercator was devised in 1569 for navigation: it allows a sea captain to draw a straight line from point to point and keep a constant compass bearing.)

Given the impossibility of transferring a three-dimensional planet to a two-dimensional page without some distortion, the editors feel that the Robinson Projection best meets our readers' needs. The map was prepared in consultation with James A. Hilliard and Nancy Hamme of R.R. Donnelley & Sons Company.



**Mercator Projection**

**Peters Projection**



# U.S. Foreign Policy

## 1

## PROJECTING U.S. INFLUENCE

**Iran-contra hearings: Rep. Lee Hamilton (standing right) swears in former NSC adviser Robert McFarlane.**

*As voters prepare to go to the polls in November, they will be weighing two questions: how can the U.S. best use its power and influence in the 1990s to promote global peace and economic well-being, and who is the candidate best qualified to lead them.*

*Topic 1 in* Great Decisions *1988 is designed to help readers answer the first question. A brief history of how this country has projected its influence—through diplomacy, military power, intelligence, trade and foreign aid—since World War II, its triumphs as well as its failures, may suggest guideposts for the next President in the conduct of U.S. foreign policy.*

Ronald Reagan took office in January 1981 determined to restore America's stature in the world, which was widely perceived to have suffered a setback under the Carter Administration. He pledged to expand U.S. military strength and confront the Soviet challenge. Yet his Administration eventually became ensnared in the very issues that had bedeviled Carter—war in Central America, terrorism in the Middle East and a revolutionary Iran threatening regional stability. Late in their terms, both Presidents hoped that a major arms control agreement with the Soviet Union would stem the tide of foreign policy reversals.

Reagan's publicly stated policies were clear. In Central America, he backed the contra rebels who opposed the leftist Sandinista government of Nicaragua. He accused the Sandinistas of sending arms to antigovernment forces in El Salvador. In the Middle East, the Administration wanted to contain the Iran-Iraq war and prevent Iran from exporting its revolution.

In the fall of 1986, public disclosures about what came to be called the Iran-contra affair revealed that top officials had actually pursued very different policies behind the scenes. The months of investigations and congressional hearings that followed led to a serious loss of credibility in the President's leadership and U.S. foreign policy.

Major investigations by the President's Special Review Board (the Tower Commission) and a joint congressional panel, which heard "some of the most extraordinary testimony ever given to the U.S. Congress," according to Representative Lee H. Hamilton (D-Ind.), served to illuminate how some foreign policies were really made. According to testimony, members of the National Security Council (NSC) staff (notably national security advisers Robert C. McFarlane and Vice Admiral John M. Poindexter and an aide, Lt. Col. Oliver L. North), working with William J. Casey, head of the Central Intelligence Agency (CIA), secretly sold arms to Iran to obtain the release of American hostages held in Lebanon. The deals were also intended to bolster moderates in Iran and set the stage for improved relations.

Most of the profits from the sales were skimmed by private arms dealers, although some were diverted to the contras in defiance of the Boland Amendment. (The most restrictive version of this amendment to the defense appropriations bill was enacted in October 1984 and prohibited all direct or indirect assistance to the contras.)

In the Iran initiative and the contra resupply effort, the NSC staff pursued policies in direct conflict with those being carried out by the State Department. The staff, which regarded Congress and the State and Defense departments as obstacles to their mission, enlisted a cast of private citizens, including retired American military officers, Middle East arms dealers and Israeli middlemen who were not accountable to anyone and whose interests were at variance with those of the U.S. government.

The question of the President's involvement has not been satisfactorily resolved. He acknowledged approving the transfer of arms to Iran, but denied knowing that proceeds were sent to the contras. The congressional report issued in November 1987 concluded that Reagan bore the ultimate responsibility for wrongdoing by his aides. It said that "the rule of law was subverted," and that if Reagan was not aware of the fund diversion, he should have been. A minority report by House Republicans defended the President and maintained that the Iran-contra affair involved "mistakes in judgment and nothing more."

Among the investigations' major conclusions were that:

- The constitutional system of checks and balances between the executive and legislative branches was circumvented. There was no oversight of policy by Congress, and funds were raised and spent without its approval. The Administration avoided timely notification to Congress of covert operations, and did not report the arms sales, as mandated by law.
- The executive branch was divided. Secretary of State George P. Shultz and former Secretary of Defense Caspar W. Weinberger, who disapproved of the Iran-contra initiatives, were subsequently cut off from information about them.
- Intelligence information was skewed to support policy. CIA Director Casey approved slanted analyses of Iran (arguing it had ended support of terrorism and was losing the Iran-Iraq war) and of Central America (exaggerating the abilities of the contras) in order to garner support for the policies he favored.
- Foreign policy was privatized, that is, private citizens conducted foreign policy, and this led to serious errors. Because government channels were bypassed, State and Defense department experts on Iran and Central America could not review policy and alert their superiors (including President Reagan) to the pitfalls that led to policy failure.

The investigations left many questions unanswered and on some issues they reached different conclusions. For example, the Tower Commission characterized the President as detached from the activities of his staff; top Administration figures testified before Congress that the President was very much in command.

Poindexter and North vigorously defended their actions, claiming that Congress was unpredictable and irresponsible in providing and then denying funds to the contras. Keeping Congress in the dark, they argued, was necessary because leaks in the past had sabotaged policy initiatives. They emphasized the prerogative of the President in policymaking and they contended that the NSC was exempted from laws such as the Boland Amendment that constrained other executive branch departments.

In several days of riveting testimony, North (who said he "assumed" Reagan knew of the fund diversion) maintained that, in weighing the balance between "lies and lives," it was legitimate to mislead Congress.

Whereas former Senator John G. Tower (R-Tex.), who characterized the hearings as "political theater," believed they damaged Congress, other congressmen felt the hearings served to educate the public and to strengthen the rule of law. Many felt existing laws were adequate, had they only been followed.

After the hearings, some abuses were addressed. The President replaced several top aides, accepted the recommendations of the Tower Commission, and signaled his commitment to congressional review of covert actions. The long-term effects of the hearings, however, were debatable. Daniel K. Inouye (D-Hawaii), who headed the Senate committee, summed up his feelings: "This was a rather sordid chapter in our history, a chapter of lies and deceit and deception. I just hope that it will not happen again. But I suppose it will."

## Views from abroad

U.S. allies followed the Iran-contra affair with surprise and consternation. The revelation that at the same time the secretary of state had been pressuring European countries not to sell arms to Iran, others in the Administration were secretly doing so, led to a growing distrust of American leadership. The conservative *Times* of London commented that "the U.S. has a President who does not have the intellectual energy or capacity required for the conduct of foreign policy, and the aides on whom he depends are third-rate...."

Saudi Arabia, Brunei and South Korea—which had been promised anonymity—were embarrassed at revelations they had secretly contributed to the contras. Foreign intelligence agencies were shaken by revelations of the amateurism of the U.S. operations, and they reportedly have become less cooperative.

What lessons does the Iran-contra affair hold for U.S. leadership and the conduct of U.S. foreign policy? How can the U.S. rebuild its credibility in world affairs? A review of recent history may help answer these questions.

# America in the World

THE TWO DECADES following World War II are often regarded as a "golden age" of American foreign policy. Previously isolationist, the U.S. began to play an active role abroad. Its power and prestige were high. It had large manpower reserves and an economy that by 1947 already produced one third of the world's exports.

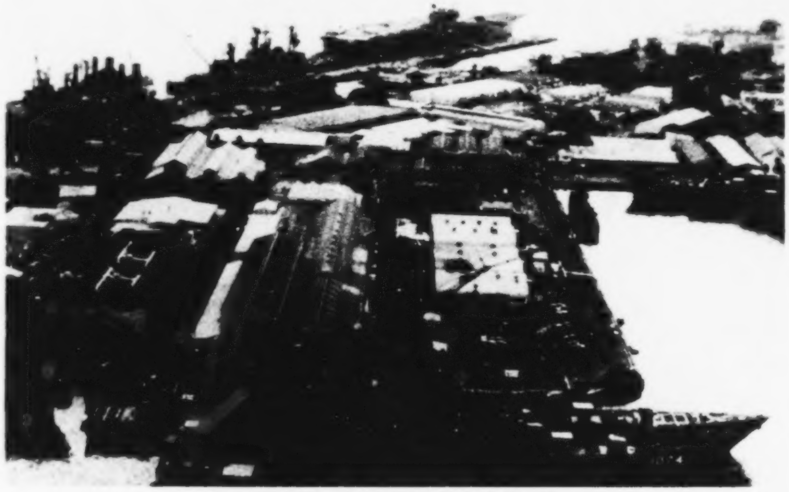
U.S. resources were matched by self-confidence. American leaders believed that world peace depended upon prosperity and that democracy and free enterprise could best assure both. Congress generally supported Administration policies.

Communism was seen as a monolithic and malevolent force bent on world domination. The Soviet Union controlled Eastern Europe after the war and threatened countries on its southern borders. The U.S. was conscious of its responsibility, inherited from colonial powers—especially Britain and France—for upholding Western interests in the Middle East, Asia and Africa. The theory of containment became the bedrock of U.S. foreign policy for decades to come.

## Military force

Until the late 1960s, American nuclear superiority was the free world's ultimate security guarantee. The U.S. also set up a network of political and military alliances encircling the Soviet Union and China. The most important of these, the North Atlantic Treaty Organization (NATO, also known as the Atlantic alliance), was formed in 1949. It included most West European countries and Canada. (Greece, Spain, Turkey and West Germany joined later.) The ANZUS pact (1952) linked Australia, New Zealand and the U.S. In addition, the U.S. signed defense treaties with Japan, Taiwan, South Korea and the Philippines.

Additional alliances were forged later with strategically important countries. The Southeast Asia Treaty Organization, SEATO, was formed in 1954 to safeguard the region after the defeat of France in Vietnam. It included Australia, Britain, France, New Zealand, Pakistan, the Philippines, Thailand and the U.S. The Central Treaty Organization, CENTO (which replaced the earlier Baghdad Pact) was founded in 1959 to form a bulwark against Soviet expansion to the south. It included Britain, Iran, Pakistan and Turkey. The U.S. had observer status. The formation of CENTO was also meant to counter the influence of Egypt's Gamal Abdel Nasser, a crusader for Arab nationalism.



***U.S. naval base, Subic Bay, Philippines.***
***The future status of key military facilities to which the U.S. has had access since World War II is in doubt.***

The U.S. set up a chain of military bases in Europe and Asia which gave it the capability to project its power worldwide. By 1959, 1 million Americans were stationed abroad in 42 countries. Important bases remain today in Japan, the Philippines, South Korea, West Germany, Greece, Turkey, Spain and Portugal.

Before the Vietnam War, the U.S. used its military might when it perceived its interests threatened. The most notable example was in response to North Korean aggression in 1950-53. The U.S. also sent forces to Lebanon in 1958 to head off a coup attempt by Nasserists and to the Dominican Republic in 1965 to prevent a purported Communist takeover.

## Covert action

The U.S. had more subtle ways to influence events. The CIA, established in 1947, primarily collects and analyzes information. But it also carries out covert action—political, economic and paramilitary operations designed to influence other governments. The CIA helped overturn governments deemed unfriendly, such as in Iran (1953), Guatemala (1954), Zaire (1960) and Chile (1973). It was implicated in unsuccessful plots to assassinate foreign leaders, such as Fidel Castro of Cuba and Patrice Lumumba of the Congo.

Intelligence failures sometimes caused the U.S. acute embarrassment. In 1960 a U-2 spy plane was shot down over the Soviet Union, causing the failure of a summit meeting between American and Soviet leaders, and in 1961 the CIA masterminded the bungled invasion of Cuba at the Bay of Pigs.

## Economic clout

American foreign policy after World War II also had an important economic dimension. The U.S. helped establish a liberal economic order featuring free trade and fixed exchange rates. A conference of 44 countries in 1944 at Bretton Woods, New Hampshire, created two institutions which played a major role in managing the international economy. The World Bank was formed to assist in postwar reconstruction and development, and the International Monetary Fund (IMF) to help stabilize currency exchange rates.

The General Agreement on Tariffs and Trade (GATT), which set ground rules for trade, went into effect in 1948. Tariff reductions negotiated under GATT contributed to a quarter century of unprecedented growth in world trade.

## Aid flows

The large-scale use of aid—both economic and military—as a foreign policy instrument began after World War II. The U.S. believed that providing aid would inoculate underdeveloped countries against leftist ideologies. It also provided an outlet for U.S. manufactures and surplus food. Until the early 1950s most American aid went to Western Europe under the Marshall Plan; thereafter it went increasingly to Third World countries.

The major assistance program aimed at Latin America, the Alliance for Progress (1961-71), was intended to stimulate social reform and economic growth, and lead to democracy. It had some successes, especially in building infrastructure; however, it was underfunded and the U.S. was widely criticized for meddling in domestic affairs.

President John F. Kennedy established the Peace Corps in 1961 to aid Third World countries and tap the idealism of young Americans. By 1964, 10,000 of them were building goodwill as well as improving health, educational and agricultural systems around the world.

## Tools of persuasion

The U.S. Foreign Service, which had fallen into disrepute as a result of the hearings conducted by Senator Joseph R. McCarthy (R-Wis.) in the early 1950s, when members of the State Department were accused of being soft on communism, scored many successes nevertheless. These included the Japanese peace treaty (1951), the Austrian state treaty (1955) and the nuclear test-ban treaty (1963).

To explain U.S. policies abroad, the United States Information Service (USIS) was formed in 1953 and inaugurated the Voice of America, a worldwide broadcasting service. Radio Free Europe and Radio Liberty, which broadcast to Eastern Europe and the U.S.S.R., respectively, were originally funded by the CIA but now receive congressional appropriations.

International exchange programs, including the Fulbright academic exchanges, and government-funded scholarships for foreign students and military officers to come to the U.S., complemented American efforts to create a positive image abroad.

## The 'Vietnam syndrome'

American involvement in the Vietnam War, which ended with the withdrawal of the last U.S. forces in April 1975, was a major turning point in U.S. foreign policy. The war left many Americans disillusioned about foreign adventures, and a new isolationism took root. The postwar consensus that had given the government the benefit of the doubt in foreign-policy making fell apart.

Shaken by the U.S. defeat, and regretful it had not acted sooner, Congress sought a more assertive role in foreign policy. It did so in the belief that it best represented the public will and therefore should have a greater say in the policymaking process.

While the President usually initiates policy proposals, policy itself is the end result of a long struggle. Congress has the responsibility of providing funding, and after Vietnam it began to scrutinize Administration requests more closely before doing so. The Senate exercised its power to approve treaties and ambassadorial appointments more aggressively, and House committees became more active in policy formation.

Beginning in the mid-1970s, Congress imposed more and tighter restrictions on the distribution of foreign aid, and its priorities sometimes clashed with the Administration's. For example, congressional amendments have denied aid to countries that are developing nuclear weapons, violating human rights, supporting international terrorism or failing to curb narcotics production.

As congressional assertiveness over foreign policy grew, changes in the way Congress works strengthened its capabilities. Congressional committees and staff proliferated. The Congressional Research Service, a branch of the Library of Congress, was expanded to provide legislators with nonpartisan information on foreign affairs. The U.S. General Accounting Office, which investigates government programs at the request of Congress, also grew.

The proliferation of lobby and pressure groups, and the campaign financing they provide, had a significant affect on legislators. At the same time the line between domestic and foreign issues became more and more blurred (as in the case of trade), and this increased the number of congressional committees with a stake in foreign policy legislation. Congress now attaches numerous amendments to the State Department authorization bill that have the force of policy, leading to charges by the executive branch that it is "micromanaging" policy.

## War Powers Resolution

Under the Constitution, the President is the commander in chief of the armed forces but only Congress can declare war. (No war has been formally declared since World War II.) In order to curb the President's ability to take military action abroad, Congress passed the War Powers Resolution in 1973 over President Richard M. Nixon's veto. (He and all subsequent presidents have claimed it unconstitutional.) Under this resolution, the President is required to inform Congress within 48 hours of introducing troops into a hostile situation abroad. He must withdraw the troops within 60 to 90 days unless Congress declares war or authorizes the troops to stay longer.

Supporters say the War Powers Resolution curbs the President's ability to embroil the country in an undeclared war. Opponents reply that it ties the President's hands: the enemy can wait for the removal of U.S. troops and then resume hostilities.

Several Presidents have submitted reports under the terms of the resolution. For example, Congress was informed about the evacuation of U.S. forces from Vietnam in 1975 and the attempt in 1980 to rescue U.S. hostages in Iran. However, the act was not invoked in the case of Lebanon in 1983 when there was significant opposition to U.S. military involvement. Instead, a compromise was reached whereby the President held to his position that the War Powers Resolution was not applicable and Congress authorized him to maintain troops there for 18 months.

There is disagreement as to whether the law applies in the current Persian

Gulf conflict. (See Topic 5.) Senate attempts to direct the President to invoke the statute have proven unsuccessful to date.

## Policy fragmentation

The struggle to make policy does not only involve Congress. Turf battles over policy are common within the executive branch, notably between national security advisers and secretaries of state. The national security adviser is appointed by the President and accountable to him alone. The secretary of state, who runs the State Department, is subject to congressional approval. The national security adviser runs a small White House staff that serves the NSC. (The NSC, formed in 1947, helps the President coordinate security policies. Its members are the President, Vice President and secretaries of state and defense. The chairman of the Joint Chiefs of Staff and the director of Central Intelligence serve as advisers.) In the Carter Administration, national security adviser Zbigniew Brzezinski vied with Secretary of State Cyrus R. Vance for the President's ear. In the Reagan Administration, differences between two national security advisers and the State Department were aired in the Iran-contra hearings.

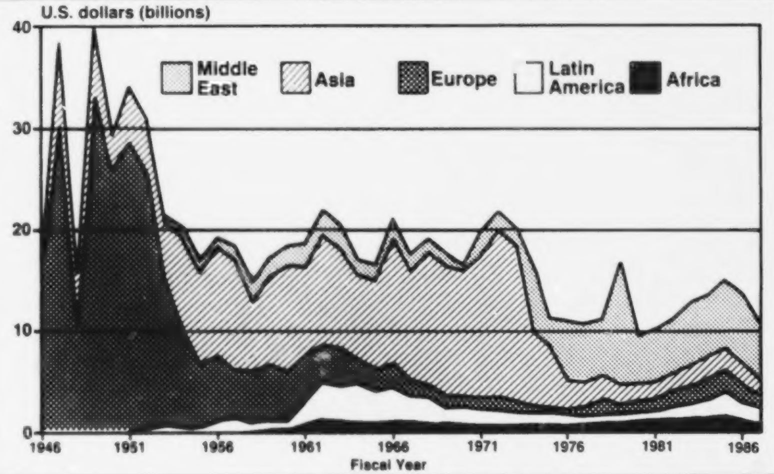
## Decline in the world

Discord in the making of U.S. foreign policy at home was accompanied by a number of developments abroad that many felt added up to a relative decline of American power in the world. Although the U.S. was not necessarily weaker, the international environment had changed. By the end of the 1960s, a decade in which the Soviets engaged in a massive military buildup, they approached nuclear parity with the U.S. And a bipolar world, with two superpowers, had been replaced by a multipolar one, with Western Europe, Japan and China emerging as important actors.

Economically, the balance of power in the world also changed. A worldwide economic recession in the early 1970s necessitated major adjustments in the international economic order. The U.S. in 1971 experienced a trade deficit for the first time in the 20th century. The U.S. stopped trading gold for dollars, leading to the present system of free-floating exchange rates.

The drastic rise of petroleum prices engineered by the Organization of Petroleum Exporting Countries (OPEC) in 1973 and 1979 led to high inflation and stagnating economies in the industrial world, as well as in non-oil producing developing countries. In 1982, the world debt crisis broke, with many Third World countries unable to repay Western banks and multilateral institutions. These developments all served to highlight the world's interdependence.

**U.S. Foreign Aid (1946-87) By Region**
**(in billions of constant 1987 U.S. dollars)**



*Source: Stanley J. Heginbotham*

The United Nations mirrored the changed international environment. Compared to the early 1950s, when the U.S. controlled a comfortable majority in the General Assembly, by the mid-1970s the U.S. was frequently outvoted on resolutions regarded as hostile to U.S. interests.

World politics continued to be rent by ethnic, religious, linguistic and tribal factionalism in states, such as India, that were supposed to have been homogenized into national entities. Religious revival took place in many countries, particularly in the Islamic world, leading to political instability in some.

Also, problems that defied international borders such as environmental pollution, population growth, urban growth and refugees added to the sense that things were out of control.

## End of decline?

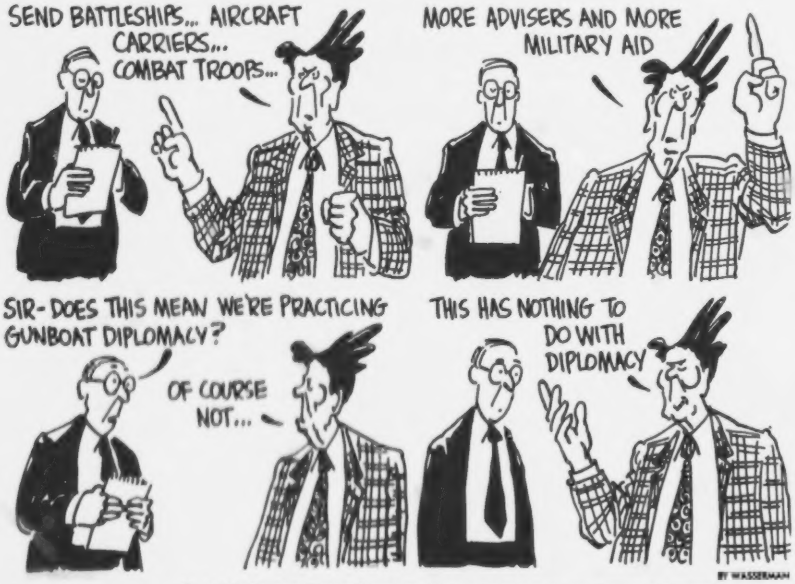
What all of this added up to for the U.S. was a new "era of limits." Bilateral diplomacy became more important than before, and the instruments of coercion less effective. President Nixon, a Republican, used diplomacy to open the door to China, negotiate a major arms-limitation pact and establish détente with the Soviet Union. (See Topic 4.)

The Nixon Doctrine of July 1969 took into account the desire on the part of Americans to scale back commitments abroad. It called on regional allies, such as Iran and Saudi Arabia in the Persian Gulf, henceforth to share the burden of protecting Western interests.

The decline of American power was perceived as continuing under President Jimmy Carter, a Democrat. His Administration won major diplomatic achievements such as the Panama Canal treaties, the SALT II treaty and the Camp David accords. But the Administration later became linked in the public mind to the fall of the shah of Iran and the seizure of American hostages there in 1979, and the Soviet takeover of Afghanistan. By the end of Carter's term, Americans felt their country had been humiliated abroad. They were receptive to a new President who promised to restore U.S. power and respect in the world.

The 1980 election of Reagan, a Republican, represented a watershed in American thinking, according to pollsters. Americans had discarded their Vietnam syndrome and were ready to resume engagement with the world.

# Projecting U.S. Influence


SEND BATTLESHIPS... AIRCRAFT CARRIERS... COMBAT TROOPS...
MORE ADVISERS AND MORE MILITARY AID
SIR- DOES THIS MEAN WE'RE PRACTICING GUNBOAT DIPLOMACY?
OF COURSE NOT...
THIS HAS NOTHING TO DO WITH DIPLOMACY
BY WASSERMAN

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PRESIDENTS Carter and Reagan both faced the problem of how to project American influence at a time when this influence was perceived to be in decline. Carter believed the decline could not be reversed whereas Reagan contended it need be only temporary.

Both had had little foreign policy experience when they took office, yet both held strong convictions—Carter from the left, Reagan from the right—which would shape their policies.

The personal leadership styles of the two Presidents differed greatly. Carter immersed himself in detail and favored a hands-on approach; Reagan was content to delegate, and even his supporters admitted that he was uninformed or misinformed on many issues.

Carter favored a liberal agenda that emphasized morality and respect for human rights. He emphasized North-South, as opposed to East-West, relations, and believed many Third World problems were caused by indigenous social and economic conditions rather than Communist subversion.

Reagan's priority was to reestablish U.S. power in the world, and he won the support of Congress for a massive military buildup. He suspected Communists of being behind many of the world's troubles. The Reagan Doctrine committed U.S. resources, in secret if necessary, to support rebels against Communist governments worldwide—in Afghanistan, Nicaragua, Cambodia and Angola. Critic Leon Wieseltier summarized the Administration's style as "pure hearts and dirty hands."

Two world hot spots, Iran and Nicaragua, which experienced revolutions with anti-American overtones in 1979, have been the bugbears of U.S. diplomacy ever since. In both countries, the U.S. had played a significant role in placing in power the strongmen whom the revolutionaries overthrew. How the two Administrations used the means at their disposal—chiefly diplomacy, military power, foreign aid, intelligence and trade policy—to respond to these crises helps illuminate the problems and possibilities of exerting U.S. influence in future years. What lessons do they hold for the next U.S. President?

## Diplomacy

The two Presidents differed greatly in their use of personal diplomacy. When Carter took office he plunged into a number of difficult negotiations, and expended much personal energy on them. He was proudest of his role, and took an enormous personal risk, in sponsoring the September 1978 meetings at Camp David, Maryland, between Egyptian President Anwar al-Sadat and Prime Minister Menachem Begin of Israel that led to a peace treaty.

The Administration was faulted, however, for trying to do too much simultaneously. A series of events and initiatives during this period strained the attention of high-level policymakers. These included, in addition to the Middle East peace talks, the negotiations over Namibia and Zimbabwe, arms control talks with the Soviet Union, and growing violence in Central America. The danger this could lead to was best illustrated in the Administration's failure to interpret correctly the shah's situation in Iran.

The sharpest defeat for Carter's diplomacy was the Iran hostage crisis, beginning on November 4, 1979. Despite extraordinary U.S. diplomatic efforts and an aborted military rescue attempt, American hostages were held for 444 days. They were released the day of Reagan's inauguration in January 1981.

Concerning Nicaragua, as in the case of Iran, U.S. policymakers were seriously divided over how to respond. As opposition to the government of Anastasio Somoza Debayle grew, the U.S. arranged for the Organization of American States (OAS) to mediate between him and the moderate opposition. The talks foundered, and the U.S. cut off military and economic aid to Somoza in early 1979. He was forced out of the country that July by a broad revolutionary coalition that included Sandinistas. The lesson seemed to be, in this case at least, that the combination of diplomacy and economic aid failed to achieve the result the U.S. had hoped for.

## Reagan's agenda

President Reagan has been criticized for relying too much on military force, too little on diplomacy. In contrast to Carter's commitment to the Middle East peace process, Reagan shied away from personal involvement after proposing a peace plan in September 1982. (See Topic 5.)

It was not until late in its term that the Administration turned increasingly to diplomacy to solve its most intractable problems. At a meeting in Washington with Soviet leader Mikhail S. Gorbachev in December 1987, Reagan came to an agreement with the Soviet Union to eliminate medium-range land-based nuclear missiles in Europe. (See Topic 8.) And the U.S. looked to the UN to mediate solutions to the Persian Gulf conflict and the war in Afghanistan.

In August 1987, Reagan, in conjunction with Speaker of the House Jim Wright (D-Tex.), proposed a peace plan for Nicaragua, which was quickly eclipsed by the plan formulated by President Oscar Arias Sánchez of Costa Rica. The Arias plan, which won its author the Nobel Peace Prize, was accepted also by Guatemala, Nicaragua, El Salvador and Honduras. It calls on Central American nations to increase political freedom, lift states of siege, offer amnesty and negotiate cease-fires in guerrilla wars. It also forbids the use of their territory to rebels.

Nicaragua accepted this plan and took steps toward democratization, such as permitting the independent newspaper *La Prensa* to reopen. However, it was unclear whether Nicaraguan President Daniel Ortega Saavedra would agree to negotiate a cease-fire with the contras.

Reagan called the Arias proposal "fatally flawed," and predicted the Ortega government would not implement it. The Administration planned to seek $30 million in nonlethal aid for the contras and request a further $270 million in military assistance early in 1988.

## The UN

Carter and Reagan also differed in their attitude toward the UN. Carter appointed Andrew Young, a black, as U.S. ambassador to the UN, and Young established good rapport with Third World nations, especially in Africa. However, critics felt he allowed the U.S. to be "kicked around" there.

Many Reaganites believed the UN hindered U.S. foreign policy objectives, and considered its bureaucracy bloated and its budget extravagant. Reagan appointed the combative Jeane J. Kirkpatrick to the UN chief post. She believed that by stating U.S. views clearly and holding countries to account for their votes, the U.S. would get results. The U.S. and Britain withdrew from one UN agency, UNESCO, charging it with inefficient management and an anti-Western bias.

The U.S., which traditionally pays one quarter of the UN budget, also used financial leverage to get its way. In 1985, an amendment to the State Department authorization bill proposed by Senator Nancy L. Kassebaum (R-Kans.) directed that the U.S. cut its contribution unless it got more say in how the money was spent.

In December 1986, the UN General Assembly agreed to give large contributors, including the U.S., greater influence over budget decisions. In response, Vernon A. Walters, who succeeded Kirkpatrick as chief U.S. delegate, said he would urge Congress to restore full funding. So far Congress has not gone along. The U.S. payment for 1987 may amount to only about half of its $212 million annual assessment. As of October 1987 the U.S. was $414 million in arrears. Meanwhile, the Soviet Union reversed past policy and agreed to pay up the $225 million it owed.

The Administration believes that by hanging tough it has forced the UN to reform itself. Critics say the U.S. has caused ill-will among friends in the Third World, and eroded the American public's support for an organization that contributes to international stability.

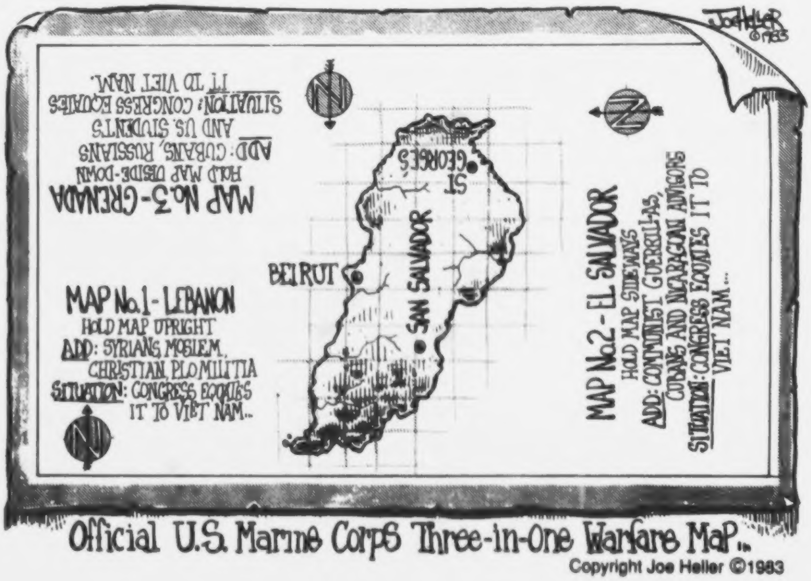
## Military Power

The two Presidents also differed in their willingness to employ military force. Carter resisted doing so in the face of his greatest provocation, the Iran hostage crisis. This was because he both lacked adequate military support facilities and feared for the safety of the hostages. A risky small-scale attempt to spirit them out of Iran in April 1980 turned into a humiliating failure and led to the resignation of Secretary of State Vance, who had opposed the rescue operation.

The Soviet invasion of Afghanistan in December 1979 was a serious setback to U.S. interests and hardened Carter's attitude. He responded with a declaration that the U.S. would resist, with military force if necessary, any Soviet attempt to gain control of the Persian Gulf region. He created the Rapid Deployment Force to protect the Gulf, and obtained access to military facilities in nearby countries.

By the end of his term, many of Carter's original goals were abandoned. There were more U.S. troops overseas in 1980 than in 1976. He halted U.S. troop withdrawals from South Korea. The Pentagon budget was increased. Foreign military sales, which the Administration intended to curb, rose from $8.3 billion in 1977 to $15.3 billion in 1980.

Reagan presided over the largest peacetime military buildup in American history, spending $2 trillion on defense in seven years. He sent U.S. forces into action in Libya (1981), Lebanon (1982-84), Grenada (1983), Libya again (1986) and in the Persian Gulf (1987-). The strikes against Grenada and Libya—countries that could offer little resistance—proved popular with the public and boosted morale. The Administration was particularly satisfied with its Grenada operation, which removed a Cuban-supported strongman and diverted attention from the disastrous terrorist bombing two days earlier


JoeHeller ©1983
MAP No.3 - GRENADA
HOLD MAP UPSIDE-DOWN
ADD: CUBANS, RUSSIANS AND U.S. STUDENTS
SITUATION: CONGRESS EQUATES IT TO VIET NAM.
ST. GEORGE'S
SAN SALVADOR
BEIRUT
MAP No.1 - LEBANON
HOLD MAP UPRIGHT
ADD: SYRIANS, MOSLEM, CHRISTIAN, PLO MILITIA
SITUATION: CONGRESS EQUATES IT TO VIET NAM..
MAP No.2 - EL SALVADOR
HOLD MAP SIDEWAYS
ADD: COMMUNIST GUERRILLAS, CUBANS AND NICARAGUAN ADVISORS
SITUATION: CONGRESS EQUATES IT TO VIET NAM...
Official U.S. Marine Corps Three-in-One Warfare Map..

Copyright Joe Heller ©1983

of the U.S. Marine barracks in Beirut.

The bombing of Libya in 1986, to punish it for alleged participation in a nightclub bombing in West Germany, seemed to discourage Libyan leader Muammar Qaddafi from mounting further terrorist attacks. Subsequently terrorism against U.S. targets decreased.

Despite Reagan's criticism of Carter's handling of the Iran hostages, he found that when confronted by his own hostage crisis he was similarly hamstrung. Major terrorist strikes against Americans in the Middle East, such as the hijackings of a TWA jet to Lebanon and of the cruise ship *Achille Lauro* in 1985, ended after negotiations, not military strikes. In dealing with terrorists, the lesson both Carter and Reagan learned was not to become too closely identified with the issue.

The most recent example of the use of U.S. military force is in the Persian Gulf. In 1987, the U.S. greatly expanded its naval presence there in order to protect Kuwaiti oil tankers which had been transformed into American flagships. This led to an exchange of threats and repeated small-scale clashes with Iran. The most serious incident was the loss of 37 American sailors when the USS *Stark* was hit by an Iraqi missile in May. There seemed to be no easy exit for the U.S. from the Gulf imbroglio.

### Foreign aid

Administrations have always had to fight for foreign aid appropriations, which have seldom been popular with Congress. Aid is used to promote U.S. security interests as well as foster economic growth and development in the Third World.

There are two major types of aid. **Development assistance** includes long-term projects involving agricultural development, population planning, health and education, and the Food for Peace program. It also includes funds for multilateral institutions such as the World Bank. **Security assistance** provides weapons and training, and short-term economic and budget support for countries of strategic importance to the U.S.

The foreign aid budget rose rapidly between fiscal years (FY) 1980 and 1985, when it reached $16 billion. But starting in FY 1986 aid was cut due to pressure to reduce the Federal budget deficit. The Administration has requested $15.2 billion for FY 1988 but will surely get considerably less.

The Reagan Administration altered previous aid priorities by greatly increasing security aid and sharply reducing that for development. (In 1973, a quarter of bilateral aid went for security purposes. In FY 1987, two thirds did.) It also directed aid to fewer countries. In 1987, six countries (Israel, Egypt, Pakistan, Turkey, Greece and Spain) received most of the security aid given by the U.S. (Israel and Egypt together received $5.1 billion in security aid in FY 1987.)

Supporters of foreign aid point out that an estimated 70% of U.S. bilateral aid is spent in this country on goods and services. Therefore U.S. aid benefits the American economy. In 1984, developing countries bought $83 billion worth of U.S. goods and services, providing jobs for an estimated 2 million U.S. workers. In justifying the high levels of aid to Israel and Egypt, the Administration notes that it is cheaper to pay for peace than for war.

Opponents of the current foreign aid program include those who feel the U.S. cannot afford it as well as those who oppose the current mix and would like to see more funds devoted to development, less in the form of security assistance for a handful of countries.

### Foreign Service

To run the State Department, Congress allocated less than $3 billion in FY 1987. This amount is not enough, according to Secretary of State Shultz. Unless the U.S. provides more money, "We'll have to start withdrawing from the world," he warned. The State Department has been forced to close some embassies and consulates and cut back all around. Currently more than 1,200 jobs at the State Department are threatened.

Budget cutbacks have coincided with a major reorganization of the Foreign Service that has left many Foreign Service Officers dispirited, if not unemployed. The Foreign Service Act of 1980, meant to eliminate excess senior staff, has forced out many of the service's most experienced middle-level diplomats in their late 40s and early 50s. Many are seasoned specialists with language skills in critical regions, such as the Soviet Union, whom the U.S. can ill-afford to lose. Generalists with managerial experience are being given priority in promotions.

Advocates of budget stringency argue that the State Department cannot be exempted from the cuts that are needed to reduce the deficit. They note that despite significant cuts in the last few years, there has been no serious breakdown in the ability of the U.S. to conduct diplomacy.

### Intelligence

The Iran-contra affair reopened the debate about the compatibility of intelligence operations, particularly covert operations, with democratic government and the role of the CIA in foreign-policy making. In the mid-1970s, a series of presidential and congressional investigations revealed the CIA's involvement in assassination attempts, coups d'état, and illegal surveillance of Americans opposed to the war in Vietnam. Congress then demanded a much more substantial role in oversight of the CIA, which had previously been left to a few congressmen favorably disposed to the intelligence community. The Senate and House both created committees to oversee intelligence activities, and required the President to approve personally each covert action. The CIA was also obliged to keep the committees fully and currently informed.

Under the Carter Administration, CIA Director Stansfield Turner reorganized the analytical part of the agency and fired many employees linked to earlier abuses. As a result, morale sagged and the agency kept a low profile. The incoming Reagan Administration made strengthening the CIA a priority.

Under Director Casey, the intelligence community's budget grew rapidly. The CIA stepped up both collection of intelligence by people rather than by technical means and covert activities. Casey misled Congress on more than one occasion and failed to notify the intelligence committees in advance of operations. When confronted, the CIA blamed the legislators for not spelling out precisely when information was to be given to Congress and the amount of detail it required.

### Time for reform?

The problem for the President and Congress is balancing the public's right to know with the need for secrecy. Are covert actions necessary? Should

Congress be informed? Many will agree that when diplomacy fails covert operations are preferable to war, but they disagree about congressional oversight. The CIA fears unauthorized leaks; many congressmen fear a "rogue elephant" accountable to no one. The CIA's principal duty is to collect intelligence, and in this area as in covert operations Casey had his detractors. They felt that by injecting politics into intelligence evaluations, Casey damaged the agency's credibility.

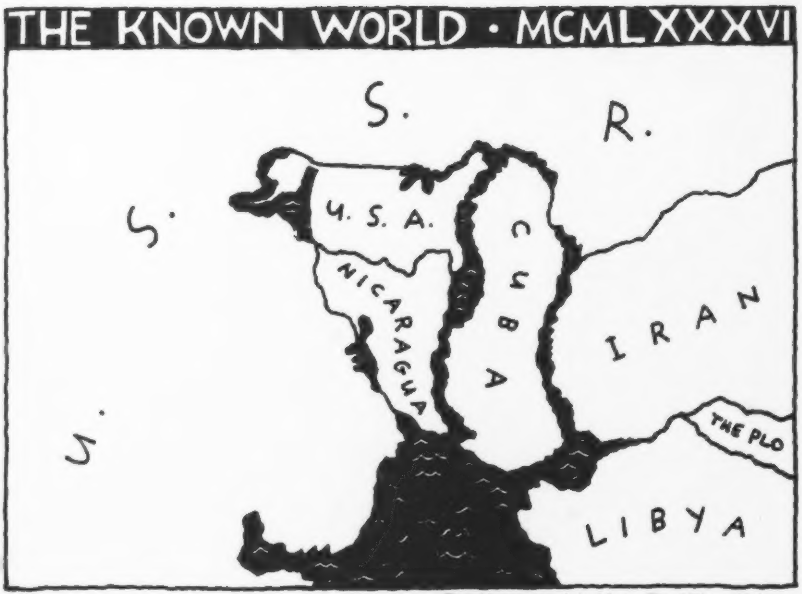
How can the integrity and quality of intelligence be improved? Allan E. Goodman of Georgetown University, who once worked for the CIA, recommends that the head of the intelligence community not be a political appointee and that intelligence collection and analysis be better centralized. He also believes that covert activities should be severely restricted and should be taken away from the CIA and given to the Defense Department.

### Trade policy

Both Presidents Carter and Reagan are advocates of free trade, and maintain that protectionism would lead to retaliation and hurt U.S. exports. They have said protectionism will only lead to higher prices for U.S. consumers and cost U.S. workers jobs.

Many congressmen, however, argue that free trade is no longer desirable at a time when other governments subsidize their exports either overtly or through nontariff barriers such as quotas, which make it difficult for Americans to sell abroad. They are no longer willing to delegate trade policy to the White House in the face of growing numbers of jobless American workers. Increasingly, they have sought to protect American industries from what they view as unfair competition.

The Administration has sought to counter protectionist pressure from Congress by concluding a free-trade pact with Canada and trying to do the same with Mexico, two of the largest U.S. trade partners. It has also negotiated "voluntary" quotas on imports of Japanese cars. (See Topic 3.)



Ron Hauge reprinted from *The Village Voice*.

### Issues and options

By the fall of 1987, the Reagan Administration had entered a traditional lame-duck period. Yet it was on the threshold of achieving its first major foreign policy victory, a treaty with the Soviet Union banning intermediate-range nuclear missiles. Prospects for a settlement of two other major issues—in Central America and the Persian Gulf—were less hopeful. The Administration has spelled out what an acceptable solution would be in both cases—in Nicaragua, overthrow of the Sandinistas, and in the Persian Gulf, an end to the Iran-Iraq war. However, it is unclear whether the Administration's strategies for dealing with these problems—increased aid for the contras, and a show of naval force in the Gulf, respectively—will be effective.

What is certain is that Congress will continue to have a lot to say about U.S. foreign policy. Both houses have been controlled by the Democrats since January 1987, making it harder than in Reagan's first term to pass Administration-backed legislation. The President may rely increasingly on the veto to forestall legislation he dislikes—for example, on trade. This veto (which requires a two-thirds vote in each chamber to override) is a potent weapon. In his first six-and-a-half years in office, Congress voted to override only 8 of 62 vetoes.

Despite heightened congressional interest and activity, some observers noted that the record of Congress on foreign affairs is dismal. "Congress remains all but paralyzed in foreign affairs, unable to translate deep disquiet over Reagan Administration policies into coherent initiatives of its own," wrote Linda Greenhouse of *The New York Times* in August 1987.

Defenders of Congress point to its support for sanctions against South Africa and its strong backing of the Central American peace agreements as examples of congressional initiatives in foreign policy—initiatives that have the support of the American people. They also point to the Iran-contra hearings as a major contribution to explaining foreign policy to the American public—how it has been made and how it should be.

* * *

As the U.S. presidential campaign heats up, candidates will be taxed to explain their views on U.S. foreign policy and how the U.S. can best restore its credibility and achieve future goals in the face of the relative decline of American influence in the world. The experience and competence of the next U.S. leader will play a crucial role. Equally important are the constraints the next U.S. President will work under. How can Congress and the President make the constitutional system of checks and balances work more effectively? What modifications, if any, will be needed in the foreign policy instruments at the President's command to project U.S. influence in the future?

**OPINION BALLOT on page 95**

## For Discussion

**1.** What was accomplished by the Iran-contra hearings held in the spring and summer of 1987? Did they serve primarily to educate the American public? to correct abuses in the conduct of foreign policy? to undermine U.S. credibility?

**2.** What is the proper role of the intelligence community in a free society? Are covert operations necessary? What restrictions, if any, do you believe should be placed on them? Are current laws adequate, assuming they are followed, or is new legislation needed?

**3.** What are the most important lessons the next U.S. President can learn from the experiences of his two predecessors about how to conduct foreign policy?

**4.** Do you think that foreign aid is accomplishing its purpose? Do you agree with the current emphasis on security rather than economic aid? Should the U.S. continue to give more money to needy countries directly rather than through international organizations such as the UN?

**5.** The international environment has changed in significant ways over the past 40 years. How have these changes affected the U.S. ability to project its influence economically? militarily? in the diplomatic sphere? Which foreign policy instruments have been the most effective over the years? which the least effective?

**6.** Between World War II and the Vietnam War, many congressmen accepted the idea that "bipartisanship began at the water's edge." What has Congress done since then to reassert its control over foreign policy?

**7.** Many U.S. bases were established abroad after World War II. In recent years host countries, including Greece, Turkey, Spain, Portugal and the Philippines, have demanded that the U.S. either pay more in "rent" or close the bases. What should the U.S. do?

## Suggested Readings

Barnet, Richard J., "The Four Pillars." **The New Yorker**, March 9, 1987, p.76+. The key foreign policy instruments the U.S. has employed since World War II—nuclear deterrence, containment, military intervention and liberal economic policies—will not assure U.S. long-term security.

Crabb, Cecil V., Jr., and Holt, Pat M., **Invitation to Struggle: Congress, the President and Foreign Policy**, 2nd ed. Washington, D.C., Congressional Quarterly Press, 1984. 267 pp. $13.95 (paper). Excellent introduction, using case studies, to the process of making U.S. foreign policy.

Deibel, Terry L., "Presidents, Public Opinion and Power: The Nixon, Carter and Reagan Years." **Headline Series** No. 280. New York, Foreign Policy Association, September/October 1986. 72 pp. $4.00. Discusses shifts in presidential policies and public opinion and suggests elements of a post-Reagan foreign policy.

Goodman, Allan E., "Reforming U.S. Intelligence." **Foreign Policy**, Summer 1987, pp.121-36. Ex-CIA official argues that the effectiveness of the U.S. intelligence system has been eroded by long-standing abuses.

Goshko, John M., "America's Fading Foreign Service." **The Washington Post**, April 26, 27, 28 and 29, 1987. Diplomats are demoralized because of changes in promotion policy, inadequate funding and politicization of the Foreign Service.

"How Foreign Policy Is Made: The Case of Central America." **Great Decisions 1986**. New York, Foreign Policy Association, 1986, pp. 5-14. See also "U.S. Intelligence: The Role of Undercover Operations." **Great Decisions 1985**, and "The Constitution and Foreign Policy: The Role of Law in International Relations." **Great Decisions 1987**.

"Iran-Contra Controversy and President's Goals." **Department of State Bulletin**, October 1987, pp. 4 and 5. Excerpts from President Reagan's address to the nation in August 1987 following the congressional hearings.

Irwin, Wallace, Jr., **America in the World: A Guide to U.S. Foreign Policy**. New York, Foreign Policy Association, 1983. 246 pp. $11.95 (paper). General introduction to U.S. foreign policy, the policy process, regional challenges and current issues.

Lake, Anthony, "Third World Radical Regimes: U.S. Policy Under Carter and Reagan." **Headline Series** No. 272. New York, Foreign Policy Association, January/February 1985. 54 pp. $4.00. An analysis of why U.S. policymakers have failed to deal effectively with radical regimes.

Sewell, John W., and Contee, Christine E., "Foreign Aid and Gramm-Rudman." **Foreign Affairs**, Summer 1987, pp.1015-36. A case is made for redesigning the U.S. foreign aid program to better reflect U.S. interests.

*For further in-depth reading, write for the GREAT DECISIONS '88 Bibliography (See page 2).*

**ILLUSTRATION CREDITS: p.5, AP/Wide World Photos; p.7, PHC Lawrence Foster, Department of Defense; p.9, Robert Mansfield.**

# Mexico and the United States

# 2

## AMBIVALENT ALLIES

In addition to sharing a 2,000-mile border, Mexico and the U.S. are uniquely linked by diplomatic and family ties, by employment and by tourism. The economies of the two countries are truly interdependent: Mexico is this country's third largest trade partner and its largest foreign supplier of oil. Relations with Mexico, more than with any other nation, affect U.S. citizens on a daily basis.

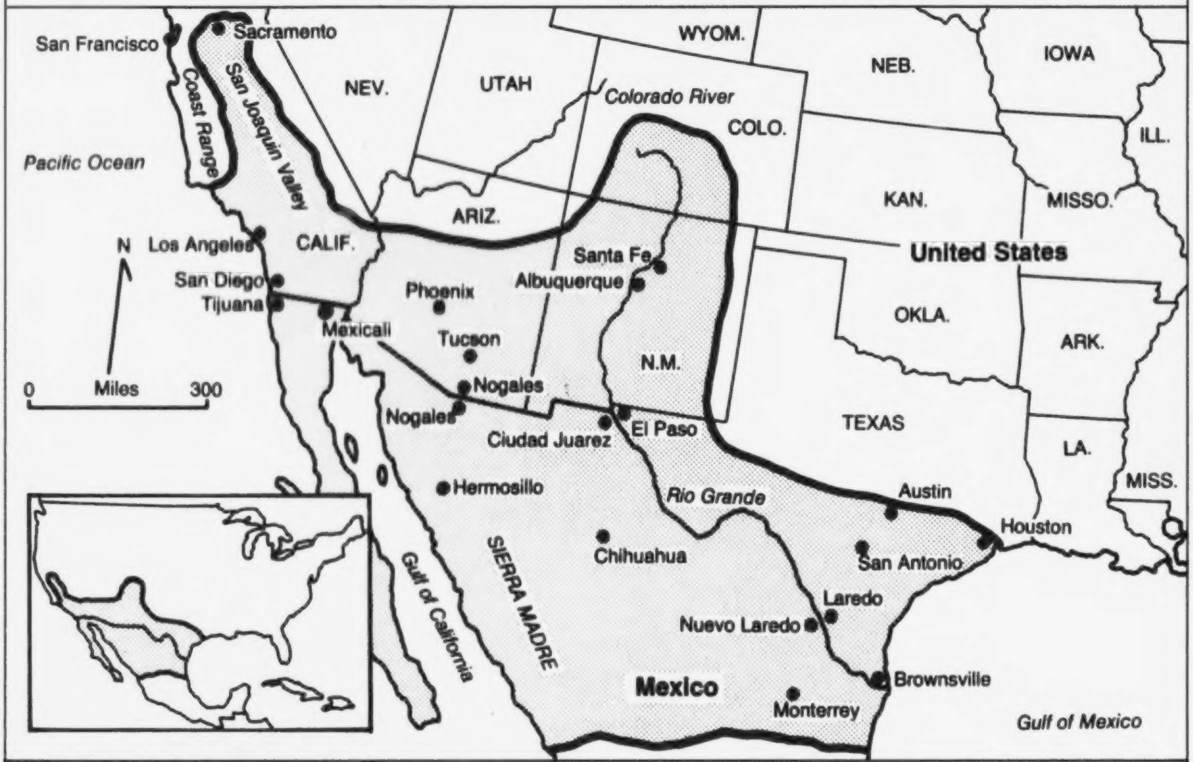
Despite many shared interests, there exists a legacy of distrust between the two countries. Mexico lost half its territory to the U.S. and remains sensitive to American interventionism. The U.S., for its part, believes Mexico must take more vigorous action to solve its problems. Irritants include U.S. immigration policy, Mexico's crushing debt burden, differences over trade and international drug traffic, and disagreement over policy toward Nicaragua.

Solving bilateral problems is difficult because the two countries have a history of talking past each other. The U.S., with many other foreign policy concerns, has rarely given high priority to improving relations with Mexico. At the same time, the U.S. has depended on stability in Mexico in order to pursue other global concerns. Mexico, for its part, traditionally has been reluctant to cooperate too closely with its northern neighbor.

Both governments are in a position to hurt the other. The U.S. controls Mexico's "safety valve"—access to jobs in the U.S. for Mexican workers. If the U.S. shut off the valve, it would be a serious blow to Mexico. Mexico, for its part, could delay interest payments on its $103 billion foreign debt, leading to serious losses for U.S. banks, which are owed one quarter of the debt.

Mexico will elect a new president in July 1988; the U.S. will do so four months later. Presidential campaigns already under way in both countries could serve to heat up the rhetoric and

**MexAmerica: Political and Cultural Boundaries**


San Francisco
Sacramento
Coast Range
San Joaquin Valley
NEV.
UTAH
WYOM.
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San Antonio
Gulf of California
Laredo
Nuevo Laredo
Brownsville
Mexico
Monterrey
Gulf of Mexico

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make accommodation between the governments more difficult. A prime challenge now is for the U.S. and Mexico to formulate policies and take actions which neither country will regard as interference in its internal affairs.

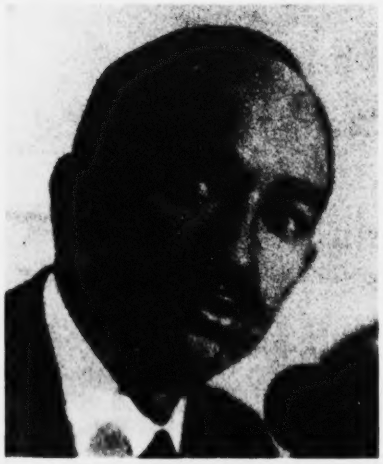
## Mexican snapshot

Mexico, officially the United Mexican States, is a federal republic of 31 states and a federal district, Mexico City. With 83 million people living in an area about three times the size of Texas, it is the world's most populous Spanish-speaking country. Half of the Mexican population is under 19 (in the U.S., half is under 32). It is overwhelmingly Roman Catholic, but the Church does not have official status.

An advanced Indian civilization flourished in Mexico before the Spanish conquest by Hernán Cortés in 1519-21. Three centuries of colonial rule ended with the country's independence in 1821. Mexico yielded about half its territory to the U.S. in the Mexican War (1846-48) and the subsequent Gadsden Purchase. A quarter century of instability followed, until dictator Porfirio Díaz took over in 1876. He centralized state power, supposedly to facilitate economic growth, but at a cost of gross social inequities. The Mexican revolution that began in 1910 was fueled by resentments that had built up under Díaz's rule. During the years of upheaval that followed, several revolutionary leaders emerged, promising political democracy, jobs or land reform—or all three. The new revolutionary constitution of 1917 limited the power of the Church, provided rights for labor, set the stage for land reform and asserted state control over natural resources. This constitution set the country on a populist course. It is often invoked today to justify government policies.

## PRI forever?

For decades Mexico has enjoyed unprecedented political stability, especially compared with the rest of Latin America. Since 1929 the country has been ruled by one party, now called the Partido Revolucionario Institucional, or Institutional Revolutionary party (PRI). Its chief "pillars" are confederations representing peasants, labor and the government bureaucracy. The PRI, which is center-left ideologically, has an influence that is pervasive: it has never lost a presidential, senatorial or gubernatorial election. The PRI's political success depends less on its policies than on personal loyalties and family ties. According to its critics, the party is more concerned with staying in power than promoting real democracy.



*Carlos Salinas de Gortari*

The president wields great power, and the press is effectively prevented from criticizing him. Elected by universal suffrage, he serves for six years and cannot be reelected. Traditionally, the president plays a major role in choosing his successor.

The president governs in consultation with key groups such as the party leaders, the bureaucracy, the media, organized labor, private business and the left. Longtime labor leader Fidel Velázquez is credited with preserving good relations between workers and the government. There has not been a serious strike in decades, which is remarkable given the recent drastic decline in buying power.

The army, unlike the military in many Latin American countries, plays a minor behind-the-scenes role.

Bribery, corruption and nepotism are part of the Mexican political culture. Mexicans point out that these are also present in the U.S., if less openly acknowledged.

Miguel de la Madrid Hurtado campaigned on a platform of ending inflation, stamping out corruption and improving public safety. He called for "moral renovation," and has tried to make public administration more honest. Unlike old-style politicians, de la Madrid is a technocrat who had never previously held an elected office. He has tried hard to keep the country's divisive political forces under control. He has tightened fiscal accountability for top government officials, and has taken steps to reform the economy.

## Credibility crisis

Opposition to the PRI, notably among the traditionally apolitical middle class, has accelerated since the economic boom ran out of steam in 1982. The main beneficiary has been the Partido Acción Nacional or PAN (National Action party), founded in 1939. PAN, which is conservative and pro-clerical, appeals to small businessmen and workers in the private sector. It is primarily active in urban areas, especially in northern Mexico near the U.S. border. State elections in the summers of 1985 and 1986 were rigged at PAN's expense and led to demands for electoral reform.

"The principal challenge the president, and Mexico, face today is the total lack of credibility in the political system," according to one critic, Mexican political analyst Jorge G. Castañeda. A form of government devised for a largely rural society of 20 million no longer works for a predominantly urban society with a large middle class.

Political attention now is focused on the forthcoming elections. Due to popular demand and prodding from a PRI faction called the Democratic Current, the PRI opened up the presidential nomination process somewhat. Still, political reform has a long way to go. The only viable candidate in the presidential race is expected to be the party's nominee, Carlos Salinas de Gortari, a 39-year old economist.

## End of a boom

For over three decades after World War II, Mexico's annual economic growth rate averaged a remarkable 6%. Foreign investment, particularly from the U.S., was readily available. Local manufacturers produced goods that were formerly imported and received protection from foreign competition. More lands were irrigated, permitting the growth of cotton and winter vegetables for export. Tourism was promoted and major construction projects such as highways, harbors and dams were undertaken.

By the early 1970s serious problems became apparent, but soon thereafter with the discovery and exploitation of huge hydrocarbon reserves (two thirds

### The Maquiladora Program

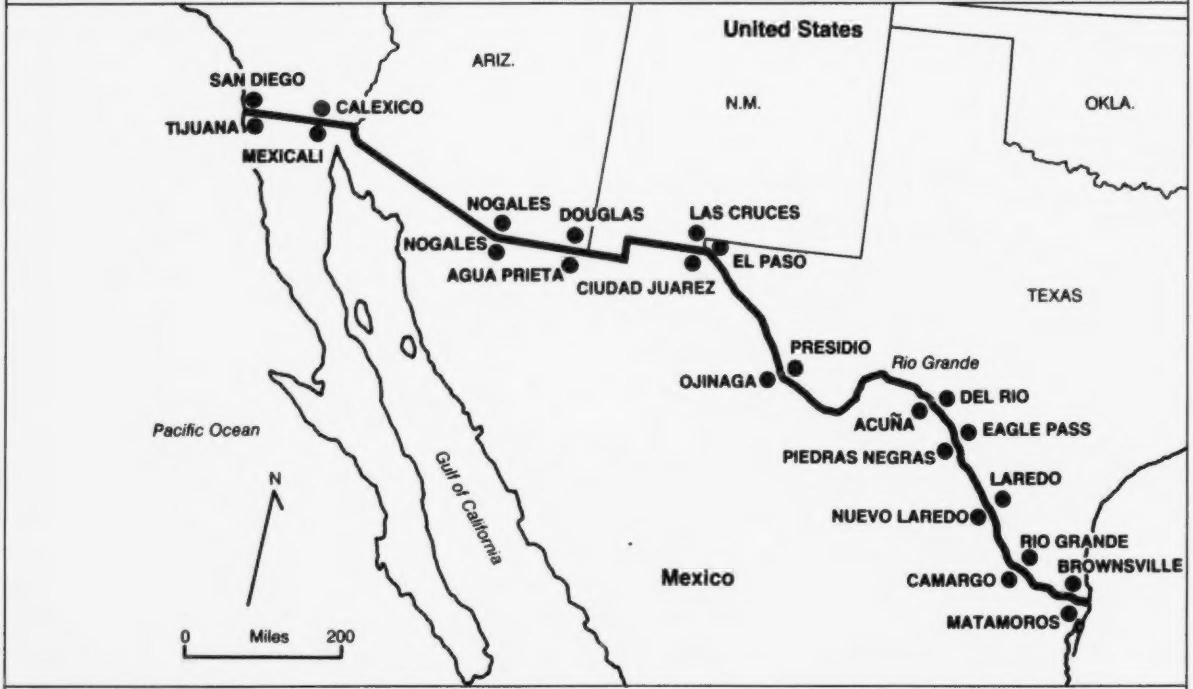
Among the brightest spots on the Mexican economic horizon are the *maquiladora* industries located along the U.S. border. (The word comes from the term for a miller's fee to grind grain.) They are primarily U.S.-owned companies that Mexico permits to import parts and production machinery duty-free. The finished products are exported to the U.S., which only taxes the value added by the product's assembly in Mexico. Most of the factories produce electrical products and automobiles. By 1986, over 1,000 plants employed more than one out of ten industrial workers.

Maquiladoras are the country's largest source of foreign exchange after petroleum. Major U.S. companies such as Proctor-Silex, RCA, Honeywell, Mattel and Baldwin Piano have set up factories south of the border, attracted by the low cost of labor—currently about 50 cents per hour, and about half that of wages in Taiwan or Hong Kong.

In addition to creating jobs in Mexico, the maquiladoras have given a major economic boost to depressed communities on the U.S. side of the border, such as El Paso (opposite Ciudad Juárez) and Brownsville (opposite Matamoros) in Texas.

Not everyone is pleased with the arrangement. U.S. labor leaders point out that it is just as bad for the U.S. to lose jobs to Mexico as to the countries in the Far East. The American Friends Service Committee, which has worked with Mexican immigrants for 30 years along the border, charges that the program exploits Mexican workers, usually young women between the ages of 16 and 23. The work is monotonous and occasionally dangerous due to a lack of safeguards, and many workers suffer from work-related illnesses.

Due to its popularity with the Mexican government and U.S. employers, however, the program will undoubtedly continue to grow.



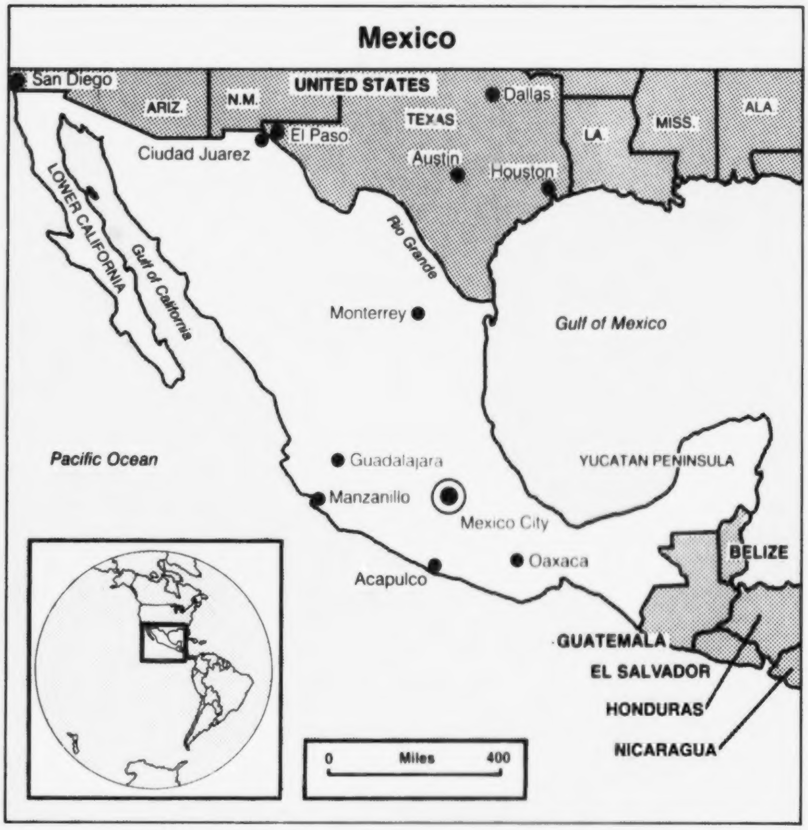
***A necklace of twin cities along the 2,000-mile border has experienced rapid economic growth.***

crude oil and one third natural gas) economic salvation seemed at hand. The dramatic rise in the price of oil in 1979, coupled with stepped-up exports, greatly increased national income. By 1982, Mexico was exporting 1.5 million barrels of oil a day—up from 200,000 in 1976.

Along with increased revenues came a consumer spending spree and corruption on a scale previously unknown. It is estimated that billions of dollars were siphoned off during the administration of José López Portillo (1976-1982). The boom ended in 1981. Because of the world recession, the seller's market for oil turned into a buyer's market.

Despite a drop in oil revenues, Mexico continued to borrow heavily, and foreign bankers, flush with petrodollars from the Middle East, continued to extend loans that the country could not realistically hope to repay. Mexico's foreign debt, which was a little over $33 billion in 1978, soared to almost $85 billion in 1982. By August Mexico could no longer pay interest on its debt. Mexico's dilemma focused attention on other debtor countries such as Brazil and Argentina, and the debt crisis suddenly became a world concern.

The international financial community came to Mexico's rescue. Mexico was forced to negotiate an austerity program with the International Monetary Fund (IMF). The program called for cuts in imports, the sale of many unprofitable government-owned enterprises



and a reduction in subsidies. (Subsidies are a volatile political issue: the poor depend on government-subsidized gasoline, mass transport and basic foods.) This belt-tightening, it was believed, would lead to large trade surpluses which could be used to pay the interest on Mexico's external debt. Its creditor banks then agreed to reschedule the repayment of principal. The U.S. did its share by providing a multibillion dollar aid package, which included advance payments for Mexican crude oil and credits for Mexican purchases of U.S. agricultural products. The stability of the international financial system was preserved, and between 1982 and 1984 Mexico was considered a model debtor.

## Road to recession

In 1985, the Mexican economy suffered a number of setbacks. With an eye on the July midterm elections, the government artificially inflated the economy, thereby undermining the austerity plan. The country was hit with two devastating earthquakes in September. A slowdown in the U.S. economy led to decreased demand for Mexican products, which reduced Mexico's foreign exchange earnings. In addition, oil prices tumbled, and oil exports in 1986 only brought in $8.5 billion compared with $14.7 billion in 1985. This decline in petroleum earnings, more than any other single factor, led to economic stagnation. Mexico's Central Bank noted that in 1986 the country faced its worst economic situation in half a century.

The government's need to borrow large sums caused a shortage of credit in the private sector, exacerbating the recession. Since 1982 purchasing power has fallen 40% and the standard of living has declined. In 1982, 70 pesos bought one dollar; in late 1987 it took 2,500. This benefits American tourists, but hurts Mexicans who shop in the U.S. or buy U.S. exports. In 1986 the economy contracted by nearly 4%.

Unemployment has risen markedly in the labor force of 27 million. Officially, urban unemployment was 4.5% in January 1987, but private-sector economists put the true figure between 11.5% and 17.5%. An estimated four out of ten workers receive the minimum wage of around $3 per day.

The average length of schooling is five years, and 15% of adults are illiterate. Although Mexico in the last decade has made real progress in lowering the birthrate, the population is growing by 2.5% annually, while the labor force is increasing at a rate of 3.6%. This translates into 1 million new job seekers a year, only half of whom find work.

Peasants looking for jobs have migrated in large numbers to Mexico City. The present population of 18 million is expected to swell to 28 million by the year 2000, making it the world's largest urban area. Already there are serious shortages of jobs, water and housing. The air pollution, mostly caused by automobile emissions, is legendary.

The de la Madrid administration has begun the transition from an economy geared to Mexico's domestic market to an economy based on exports. (After the U.S., Mexico's major trade partners are the European Community and Japan.) This change in policy was facilitated by Mexico's joining the General Agreement on Tariffs and Trade (GATT) in July 1986, which should give Mexican products greater access to the world market.

Mexico exports manufactured products, including chemicals, transportation equipment, shoes, iron, steel and electronic products, and coffee, cotton, fruits and vegetables. Mexico's major imports are grains, machinery and industrial vehicles.

## Prospects

By mid-1987, Mexico's foreign economic picture had brightened considerably. Wealthy Mexicans who had invested several billion dollars abroad brought their capital back. This was partly due to a lack of local credit for private industry, but it also reflected business optimism. Oil prices had made a dramatic recovery. Foreign exchange reserves were expected to reach a record $17 billion by year end. The reserves were helped by a trade surplus of $4.5 billion for the first half of 1987 and a $7.7 billion loan signed with foreign banks in March.

Salinas is expected to continue de la Madrid's austerity program. However, he will need the cooperation of labor groups, which were unhappy at his selection. The immediate challenge will be to balance high inflation (currently 140% annually) with growth.

## Window on the world

Mexico's foreign relations have long been dominated by concern with U.S. influence. Admiration for Americans as individuals is tempered by resentment over past U.S. misdeeds. Mexicans cannot forget that the expansion of the U.S. in the 19th century was largely at the expense of Mexico.

They also recall with indignation U.S. military intervention to influence the course of their revolution. "Before the 1920s it had appeared that Mexico would be treated like some of America's other neighbors—invaded, occupied, and owned by Americans, who by 1910 controlled 43% of Mexican property and produced more than half of Mexico's oil," according to historian Thomas G. Paterson. Between World Wars I and II, American intervention took the form of political and economic (as opposed to military) pressure.

Past U.S. treatment of Mexico has led it—along with much of Latin America—to adopt nonintervention and self-determination as its guiding principles in foreign policy. In practice this means that Mexico opposes U.S. interference in its internal affairs.

Mexico has not shared U.S. fears of Communist subversion in Latin America, and continues to regard the region's problems as primarily social and economic. Mexico denounced the intervention of the U.S. at the Bay of Pigs in Cuba in 1961, its sending of troops to the Dominican Republic in 1965, and its invasion of Grenada in 1983. It offended Washington by supporting the Socialist president of Chile, Salvador Allende Gossens.

Mexico and the U.S. do share membership in some organizations. Along with other Latin American countries and the U.S., Mexico is a member of a defensive military alliance known as the Rio Treaty, formed in 1947. Mexico is also a member of the Organization of American States (OAS), formed in 1948 to promote hemispheric cooperation, maintain peace and defend the territorial sovereignty of states.

Mexico, however, has refused to join other international organizations such as the Organization of Petroleum Exporting Countries (OPEC), or the Nonaligned Movement (made up of over 100 nations that profess to maintain a neutral position between the superpowers), ostensibly because it prizes its freedom of action.

Mexico has championed morality in international affairs. One of Mexico's major diplomatic initiatives was the Treaty of Tlatelolco (1967), an agreement providing for a nuclear-free Latin America. Mexican President Luis Echeverría Alvarez proposed a "Charter of the Economic Rights and Duties of States," which was approved by the UN in May 1974.

Its oil wealth gained Mexico new respect in international circles. In 1980, Mexico was elected to the UN Security Council. In October 1981, Mexico was host to the North-South summit meeting at the Mexican resort of Cancún, attended by President Ronald Reagan.

## Contadora

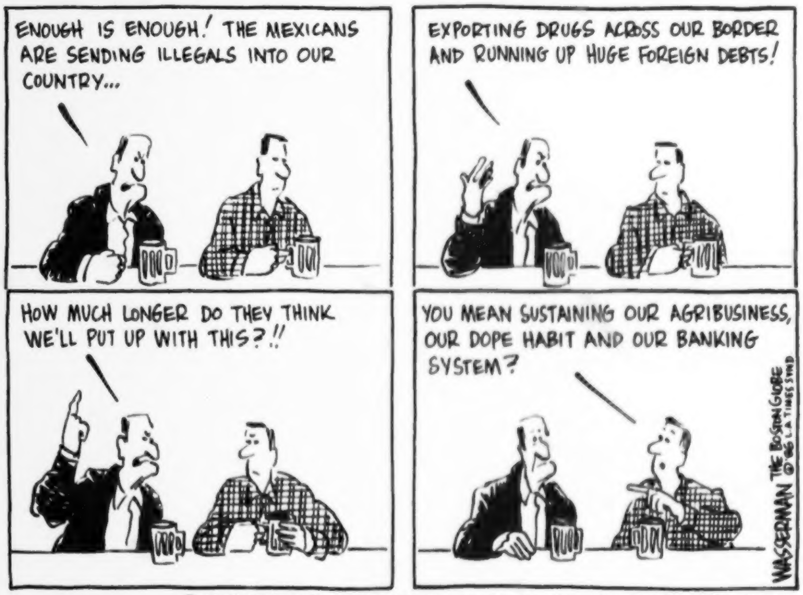
A major bone of contention between the Carter and Reagan Administrations and Mexico has been relations with the Sandinistas, who overthrew the Somoza dictatorship in Nicaragua in 1979. While the U.S. has aided anti-Sandinista rebels, known as contras, Mexico has been sympathetic to the Sandinistas. It tried to prevent them from becoming overly dependent upon Cuba or the Soviet Union and to forestall U.S. military intervention. (Mexico provided Nicaragua with oil at a discount from 1980 to 1985.)

In January 1983 Mexico joined with Colombia, Venezuela and Panama to form the Contadora Group, which attempted to negotiate a regional peace settlement. Mexico hosted face-to-face talks between the U.S. and Nicaragua in 1984 at the Mexican resort of Manzanillo. The U.S. broke these off after eight sessions, arguing Nicaragua was not negotiating in good faith.

The Reagan Administration was unenthusiastic about the Contadora initiative and regarded Mexico as too protective of Nicaragua. In August 1987 Reagan and Speaker of the House Jim Wright (D-Tex.) presented their own peace plan. The Reagan plan was eclipsed a few days later when the presidents of five Central American nations, meeting in Guatemala, signed a regional peace accord proposed by Oscar Arias Sánchez, president of Costa Rica. It called for an end to civil wars, the cutoff of outside aid to the contras and the strengthening of democracy. (Neither plan had sanctions for noncompliance.) Mexico was initially cool to the Arias plan, which deflected attention from the Contadora proposal. Reagan welcomed the Guatemala accord, which earned its architect the Nobel Peace Prize, but later said it lacked enough safeguards and might be fatally flawed. The Administration anticipated requesting a further $270 million for the contras in early 1988, but faced congressional opposition.

***Presidents Reagan and de la Madrid meet in Mexicali, Mexico, January 1986.***

# Uneasy Neighbors


ENOUGH IS ENOUGH! THE MEXICANS ARE SENDING ILLEGALS INTO OUR COUNTRY...
EXPORTING DRUGS ACROSS OUR BORDER AND RUNNING UP HUGE FOREIGN DEBTS!
HOW MUCH LONGER DO THEY THINK WE'LL PUT UP WITH THIS?!!
YOU MEAN SUSTAINING OUR AGRIBUSINESS, OUR DOPE HABIT AND OUR BANKING SYSTEM?
WASSERMAN THE BOSTON GLOBE © '85 L.A. TIMES SYND.

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THE U.S. IS MORE interdependent with Mexico than with any other country. Although there are few reliable figures to document it, the interaction between the two countries is enormous. About 12 million Americans are of Mexican descent. The U.S. Census Bureau estimates that 2 million Mexicans illegally reside here on a permanent basis; others estimate up to triple this figure. Some 2,900 U.S. companies operate in Mexico, and 400,000 Americans live there. Mexico is a popular and inexpensive destination for U.S. tourists and retirees.

Despite their ties, relations between the two governments are unpredictable and easily strained. "Probably nowhere in the world do two neighbors understand each other so little," according to Alan Riding, author of *Distant Neighbors*.

U.S. policy toward Mexico must be understood in the context of U.S. attitudes toward Latin America. Such attitudes are strongly shaped by ethnocentrism, according to political scientist Howard J. Wiarda. U.S. policymakers have never considered the region very important. In addition, he notes, the U.S. has little sympathy for Latin culture and tends to be patronizing. In the absence of knowledge and understanding, myths tend to substitute for reality.

If Americans underestimate Mexico's importance, Mexico tends to exaggerate its significance to the U.S. Mexicans, too, are handicapped by myths.

This is how Riding characterizes the differences in Americans' and Mexicans' approach to each other: "When Mexican presidents or politicians address American audiences, they invariably speak in conceptual and philosophical terms, almost begging for respect and understanding rather than demanding concessions on specific topics. American officials, in contrast, rarely grasp the psychological dimension of the relationship and ignore Mexico's nationalist cries for attention, preferring instead to focus on the concrete issues which they believe define the state of relations. The feeling that they are condemned to live beside each other is shared by both countries."

## U.S. agenda

U.S. interests in Latin America have been remarkably consistent for nearly a century, argues Wiarda. Chief among these are safeguarding the territorial integrity of the countries in the region and the international sea-lanes, including the Panama Canal; protecting access to raw materials; maintaining internal stability; and excluding hostile outside powers. Secondary interests include the defense of human rights and encouragement of democracy.

All Administrations in this century have pursued these goals, according to Wiarda, although they have disagreed on how to achieve them. President Jimmy Carter gave priority to supporting human rights; Reagan gives priority to combating leftist regimes. Yet there is a basic continuity in American policy. Carter did not abandon U.S. security interests; nor did Reagan abandon concern for human rights.

U.S.-Mexican relations were most tranquil in the quarter century following World War II. There were no serious bilateral disputes. However, by the mid-1970s the relationship was less amicable. The Mexicans blamed Carter for failing to approve a major deal to buy Mexican natural gas (which was overpriced, in the U.S. view). López Portillo put Carter in a very difficult position in late 1979 by refusing to readmit the shah of Iran after his medical treatment in New York City.

## The Reagan years

Despite cordial personal relations between presidents Reagan and de la Madrid, misunderstanding between the two countries persists. Mexicans feel that, rhetoric aside, the U.S. continues to accord a low priority to their country, and believe that the image Americans have of Mexico is out of date. North Americans have their own complaints. "Realism requires a recognition that there are a great many conflicting interests that must be faced squarely, discussed openly, and managed in a businesslike manner...," a 1986 conference sponsored by the Stanley Foundation concluded. "Mexico cannot continue to hide behind jingoistic nationalism and wait for its domestic problems to be solved by the U.S. Instead, a sense of joint responsibility is necessary."

Mexicans often find U.S. policy

confusing because the many participants in the U.S. foreign policy process seldom speak with one voice. In Mexico, power is centralized, enabling Mexicans to present a united front in their dealings with the U.S.

Some American critics share the Mexicans' view that U.S. policy is not always coherent. "At present the U.S. does not have a policy toward Mexico, and it has not had one for many years," historian Peter H. Smith wrote in March 1987. "Decisions belong to the bureaucracy. So far this approach has managed to avoid outright catastrophe...but it has achieved this result only under the most favorable conditions."

### Mexico-bashing

Bad publicity about Mexico in the U.S. has periodically inflamed public opinion in both countries. Mexico's failure to investigate vigorously the murder in early 1985 of an agent of the Drug Enforcement Administration, Enrique Camarena Salazar, and the torture of agent Victor Cortez Jr. in August 1986 infuriated many U.S. officials and congressmen. In a May 1986 Senate hearing, U.S. Customs Commissioner William von Raab complained of "an ingrained corruption in the Mexican law enforcement establishment" which is "massive...all the way up and down the ladder...." Attorney General Edwin Meese 3rd later apologized to his Mexican counterpart and assured him the criticism did not represent official U.S. policy.

Mexico, in turn, is exasperated at the way the U.S. press handled the Camarena and Cortez affairs. Mexicans bridle at foreign charges of corruption, despite the fact that they recognize its existence. They believe the U.S. is gratuitously attacking them in order to disguise an inability to deal with its own problems. They point out that Mexico acts as a moderating influence on regional matters important to the U.S., such as debt repayment and containing leftist revolutions. They add that de la Madrid has made many concessions to U.S. demands and has risked his own popularity in doing so. He needs the help of the U.S. to solve his problems, but he cannot appear to be taking orders from Washington or being subservient to its demands.

Why do there seem to be so many strains at this time? According to *The Wall Street Journal*, the tensions have not necessarily increased; they are being aired more openly. "What we are seeing...is a gradual maturing of the political relations between the two countries, a growing recognition that conflicts should be discussed, not buried by mutual suspicion or indifference."

## The Critical Issues

FOUR ISSUES HAVE come to dominate the U.S.-Mexican policy agenda: immigration, debt, trade and drugs. The two countries' attitudes about them differ sharply, and there are not likely to be any early solutions. What are the facts?

### 1. Immigration

For decades, Mexicans have migrated north to get work, and U.S. employers have been eager to hire them. The two countries, however, view this migration very differently. For the U.S., it is currently a problem. For Mexico, it is a solution.

For two decades, the U.S. Congress struggled to find a legislative remedy to a human problem with economic dimensions. By the time Congress passed a new immigration law in 1986, possibly 1 million Mexican migrants were entering the U.S. illegally every year, according to the Census Bureau. The majority came for a temporary period, but an estimated 100,000-200,000 remained.

Immigration reform was supported by organized labor, which complained that foreigners were taking away jobs. Others supported new legislation because they claimed illegal aliens (or undocumented workers, as they are also known) were straining public services. In Los Angeles County, illegal immigrants give birth to 71% of all the

**U.S. Border Patrol agents confront Mexican migrants in an empty boxcar (left) and in a field (right).**

children born in county hospitals. In Brownsville, Texas, 18% of the pupils in the school system are citizens of Mexico who register with fictitious U.S. addresses.

Many employers, on the other hand, welcome immigrants because they are willing to take jobs that Americans shun and help to keep farm prices and construction costs down.

Moreover, some studies show that illegal immigrants, far from getting a free ride on social services, have paid more into the system (through payroll deductions for Social Security) than they have taken out. Because of their illegal status, they cannot apply for benefits.

### New legislation

The landmark Immigration Reform and Control Act was signed into law on November 6, 1986. The intent of the law is to stop illegal immigration, yet allow some of the immigrants who are already here to stay. Major provisions include penalties of up to $10,000 for employers who knowingly hire illegals (in the past only the worker was penalized), augmented border controls and an amnesty for those who can prove they have lived here continuously since 1982.

There is also a provision for up to 350,000 "special agricultural workers" to be granted permanent residence if they worked here for 90 days during the year ending May 1, 1986. This provision, included to help farmers, is regarded by many as a loophole that encourages migration.

The Census Bureau estimates that of the 6 million aliens living in this country illegally, about 4 million qualify for amnesty. Half this number are Mexicans. It is too soon to tell whether the law will work. It appears to be deterring aliens from entering the country, and U.S. employers, subject to fines and possible imprisonment, seem to be taking the law seriously. But some employers complain the law is unfair. Producers of goods considered nonperishable, such as livestock, cotton, sugarcane and sugar beets and forest products, are excluded from the program. Readily available bogus documentation makes it difficult to ascertain a person's citizenship status. Critics of the bill predict an upsurge of discrimination against Americans of Hispanic origin, particularly in the workplace.

The amnesty program got off to a slow start, and the Immigration and Naturalization Service (INS) now believes only about 2 million illegal aliens will sign up. This, however, would constitute success in the eyes of the government. In the first three months of the program, the INS approved about 98% of the applications.

The Mexican government is embarrassed that so many of its citizens must go north looking for work. It would prefer to export products, not people. But it regards emigration as a right, and maintains that it is no crime to look for work. Mexico moreover depends on the remittances the workers send back—thought to total several billion dollars annually.

Although the Mexican government carefully avoided taking a position on the immigration legislation, its opposition was no secret. With the new law, Mexico expects a large influx of returning workers and a marked decrease in those heading north, which will put additional strains on its economy.

The new law has had no effect on the underlying causes of illegal immigration, and will not put an end to debate. Should the U.S. in future years experience a labor shortage, it could find itself once more luring workers from Mexico rather than turning them away.

## 2. The debt crisis

Since 1982, Mexico's crushing debt burden has overshadowed all other domestic and foreign policy concerns. The country has been in almost continual negotiation with its creditors, who have repeatedly come to Mexico's rescue. Major U.S. banks, to which Mexico owed over $23 billion at the end of March 1987, recently declared they are prepared to take significant losses, although they have not actually written off the loans.

There is common agreement that economic growth is the only long-term solution. But the U.S. government, the banks and Mexico disagree on how to share the burden of adjustment which is necessary for this growth to take place.

President de la Madrid declared in September 1987 that Mexico had gone as far as it realistically could in solving the debt problem. He noted that Mexico had carried out economic reforms and had not stopped paying interest on its debt, as had Brazil and Peru. He assured international banks that Mexico would avoid open confrontation and defiant rhetoric, and asked them in return to show more flexibility in negotiations.

The U.S. prescription for solving the international debt crisis is contained in the October 1985 plan named for U.S. Secretary of the Treasury James A. Baker 3rd. The Baker Plan recognizes that economic growth, rather than austerity, is important for the recovery of debtor countries. This philosophy is much closer to the views of the debtors than it is to the traditional solution advocated by the IMF. It proposes countries adopt "free market" economic policies and "grow out" of their debt. The plan recommends that the World Bank, the IMF and commercial banks sharply increase lending.

Mexico was considered the first test of the Baker Plan. An agreement reached with the IMF in July 1986 cleared the way for a two-year loan package totaling $12 billion, half from commercial banks and half from the IMF and World Bank.

### Bankers' attitudes

American bankers reluctantly succumbed to U.S. government pressure to go along with the Mexican rescue. In an attempt to reestablish control over their loans, bankers drastically changed their attitude in May 1987. Led by Citicorp, which had $3.2 billion at stake by mid-1987, the banks acknowledged the debts might not be fully repaid. Citibank itself added $3 billion to its reserves against possible losses. Other major banks quickly followed suit. The decision was certain to make it tougher for Mexico and other Third World debtors to obtain new loans. It also effectively ended hope that the Baker Plan could work.

Banks are not likely to make further major concessions until they are convinced that the Mexican government is prepared to hold the line on its unpopular austerity program. This may not happen until after a new president is installed in December 1988.

Critics believe the Baker Plan does not provide enough money to solve the problem and places too much of the burden on commercial banks. In addition, to work it relies on renewed economic growth, which has not taken place so far. Some also feel the U.S. government has made ideological conformity a condition for fiscal relief.

*A Mexican soldier of the antidrug brigade gathers illegal poppy plants.*

Supporters of the Baker Plan maintain it is still the best solution. They say that the debtor countries must learn to manage their own debts and regain normal access to capital markets. Forced debt forgiveness is neither needed nor productive, and will lead to reducing the capital inflows which are crucial to recovery.

### 3. Trade disputes

The debt crisis has contributed to a worsening of the U.S. trade deficit. Debtor countries like Mexico can no longer afford to import U.S. products as before, and the U.S., mainly because of oil, now buys more from Mexico than it sells to it. Still, U.S.-Mexican trade amounted to $30 billion in 1986, and was expected to exceed that level in 1987. The U.S. is the largest market and the largest supplier for Mexico; Mexico is the fourth largest market for U.S. exports and the third largest U.S. supplier.

In October 1987 the Reagan Administration announced it had reached agreement with Mexico on an unprecedented trade pact. This pact, which does not require congressional approval, will be a companion to the more extensive trade agreement reached simultaneously with Canada. The goal of both is to create a free trade zone and integrate the three countries' markets—and to protect Mexico and Canada from the effects of protectionist legislation now pending in the U.S. Congress.

The Mexican pact will pave the way for talks to reduce barriers to trade and investment and set up a mechanism for settling trade disputes (although not for binding arbitration, as in the case of Canada). It primarily affects trade in textiles, steel and agriculture, as well as investment, technology transfer, services, patents and copyrights.

### 4. Drug trafficking

According to the U.S., a third of the marijuana, heroin and cocaine that enters the U.S. comes via Mexico. (Mexico grows marijuana and opium poppies but it is only a transit route for cocaine, which is refined from the coca plant grown in South America.)

Mexico maintains that it has no drug problem itself, and it believes that the cause of the problem in the U.S. is high demand, which the U.S. government is doing little to dampen. The Mexican attorney general's office now spends half of its budget combating drug trafficking.

The U.S. contributed over $81 million from 1976 through March 1986 to help Mexico curb the production and export of narcotics. A crop eradication program enjoyed early success, but it faltered as corruption grew in the early 1980s. A pilot who is paid $200 a month to spray poppy fields with herbicides may find it difficult to turn down an offer of $20,000 to spray them with water instead.

In addition to providing financial inducements to combat the narcotics trade, the U.S. Anti-Drug Abuse Act of 1986 prescribes sanctions for countries that do not cooperate with the U.S. The provisions that would hurt Mexico most are the ones requiring the U.S. to vote against multilateral bank loans and to deny the offender's exports preferential treatment. In March 1987 President Reagan certified to Congress that Mexico was cooperating fully to control narcotics production and promote eradication. A Senate effort to disapprove the certification was unsuccessful. Important as narcotics control is, many regard it as secondary to overall U.S. interests in Mexico. Imposing stiff sanctions could do great damage to Mexico's economy—and consequently to the U.S. as well.

* * *

Mexico's problems are also U.S. problems, and solutions depend on cooperation by both sides. As William D. Rogers, former assistant secretary of state for Latin American affairs, once said, "A nation can choose its friends, but not its neighbors. We and Mexico are fated to live together....We had best learn to exist side by side, with civility and understanding. What injures Mexico does damage to our own national interests as well."

OPINION BALLOT on page 95

## For Discussion

**1.** President de la Madrid has written, "Our nationalism has been shaped by the defense of our sovereignty in the face of foreign interventions." The U.S. has long regarded Latin America as within its sphere of influence and has intervened to protect its interests. How have these attitudes affected U.S.-Mexican relations? How can these attitudes be reconciled?

**2.** "Very little can be achieved in Mexico without U.S. support, but even less can be done if that support is too obtrusive," says Jorge G. Castañeda. Do you agree? What kind of support could—or should—the U.S. offer?

**3.** There is strong debate in the U.S. as to the effect illegal aliens have on the U.S. economy. Employers depend on immigrants as a source of cheap labor, yet labor groups complain they are stealing their jobs. What do you think? Should illegal workers from Mexico be treated more leniently than those from other countries?

**4.** Mexico has been called a dictatorship in the guise of a democracy. How does Mexico's political system differ from that of Chile or Paraguay, for example? How does it differ from, say, Argentina's or Brazil's?

**5.** Mexico is unquestionably a conduit for illicit drugs entering the U.S. Should the U.S. penalize Mexico for this by imposing trade or economic sanctions? Or should the U.S. deal with the drug problem by taking stronger measures to curb domestic demand?

**6.** Mexico supports a Central American peace settlement negotiated and carried out by Latin Americans. Should the U.S. accept such a settlement? Under what conditions?

**7.** "Mexico is not merely another developing country with a debt problem. Its economy is closely interwoven with ours. We must address its problems as urgently as we would a financial crisis in an American state," according to Robert D. Hormats, an international investment banker. Do you agree?

**8.** To what extent are U.S. and Mexican policies limited by factors outside their exclusive control, such as the state of the international economy or the migration of refugees?

**9.** Some observers have commented that Mexico seems oriented to the past, the U.S. to the future. How does each country's image of the other affect bilateral relations?

## Suggested Readings

Baer, M. Delal, "Mexico: Ambivalent Ally." **The Washington Quarterly**, Summer 1987, pp. 103-13. Mexico should recognize its common defense and security interests with the U.S., and should adopt a more mature and less anti-American foreign policy.

Castañeda, Jorge G., "Mexico at the Brink." **Foreign Affairs**, Winter 1985/86, pp. 287-303. Mexico's political stability may be imperiled by the country's economic crisis.

De la Madrid H., Miguel, "Mexico: The New Challenges." **Foreign Affairs**, Fall 1984, pp. 62-76. Mexican president outlines the economic and political challenges ahead, and says the country is meeting them.

Fagen, Richard R., "The Realities of U.S.-Mexican Relations." **Foreign Affairs**, July 1977, pp. 685-700. The U.S. should acknowledge its "special relationship" with Mexico and encourage an increase in social justice there.

"Mexico." **Current History**, March 1987 (entire issue). $3.95. Seven expert observers survey recent developments.

"Mexico Survey." **The Economist**, September 5, 1987. 22 pp. Incisive profile of Mexico today.

Riding, Alan, **Distant Neighbors: A Portrait of the Mexicans**. New York, Vintage Books, 1986. 563 pp. $4.95 (paper). Widely acclaimed portrait of the Mexicans by **New York Times** correspondent.

Smith, Peter H., "Mexico: Neighbor in Transition." **Headline Series** No. 267. New York, Foreign Policy Association, January/February 1984. 80 pp. $4.00. Mexico faces a long-term process of social and political transformation that could have enormous consequences for the U.S.

"U.S. Policy Toward Mexico." The Stanley Foundation, 1986. 13 pp. Available free from 420 East Third St., Muscatine, Iowa 52761. Study group concludes that the Mexican political system will probably undergo a significant evolution to survive the current economic crisis.

"Visit of Mexican President." **Department of State Bulletin**, October 1986, pp. 65-66. Upbeat remarks by the U.S. and Mexican presidents after their meeting on August 13, 1986.

*For further in-depth reading, write for the GREAT DECISIONS '88 Bibliography (See page 2).*

ILLUSTRATION CREDITS: pp. 16 and 23, Reuters/Bettmann Newsphotos; pp. 17 and 18, Robert Mansfield; p. 19, Terry Arthur, The White House; p. 21, official U.S. Immigration and Naturalization Service photographs.

# U.S. Trade and Global Markets

## RISKS AND OPPORTUNITIES

## 3

***Pandemonium on the New York Stock Exchange as stock prices crash on October 19, 1987.***

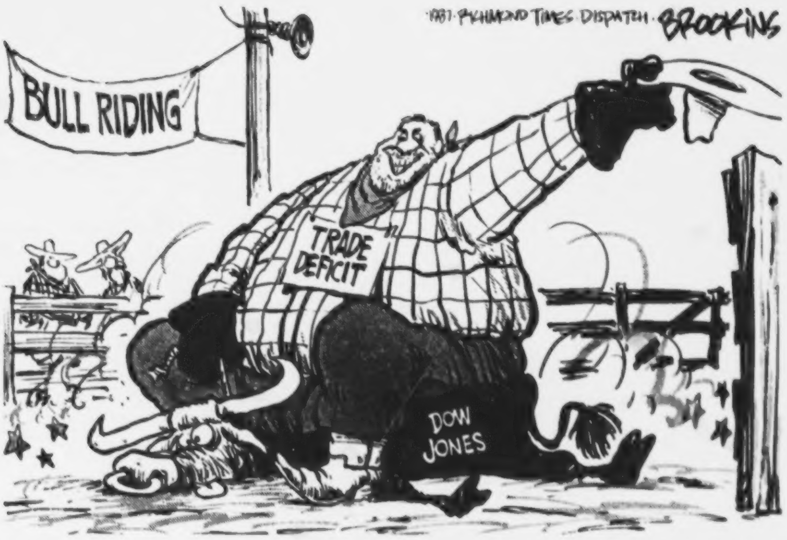
WEDNESDAY MORNING, October 14, 1987, the U.S. Department of Commerce released trade figures for the month of August. The numbers were disappointing and stockholders, already jittery over the ramifications of the trade and Federal budget deficits on the economy, began selling off their stock. The Dow Jones industrial average dropped 95 points that day, a record one-day fall.

Worse followed. On Monday, October 19, the Dow went into a free fall, finally coming to rest 508 points lower than it had been when the day started. The news from New York set in motion a worldwide market collapse: stocks plunged on exchanges from London to Tokyo to Johannesburg. The Hong Kong exchange suspended trading for the remainder of the week.

Acknowledging that the frenzy that drove down the Dow was at least partially motivated by concern over America's record $145 billion trade deficit, members of the Reagan Administration and Congress pledged to move more quickly to find grounds for agreement on trade legislation then in a Senate-House conference committee. Whatever form the final bill takes, it is almost certain to modify America's long-standing policy of free trade.

### A record imbalance

In 1986, Americans exported $224 billion worth of goods—everything from corn to semiconductors. They imported goods worth $369 billion, primarily consumer products and petroleum, leaving a trade deficit of $145 billion. This **merchandise trade balance** is the difference between the goods that Americans buy from abroad and the goods that they sell. When services such as banking and insurance are added into that equation, the deficit contracts somewhat to $144 billion. This more inclusive equation is known as the **balance on current account**. The **balance of payments** records all of a country's eco-



nomic transactions, including foreign aid and other capital movements. Since that too is negative, by an estimated $200 billion, the U.S. is a debtor nation, with more money flowing out than coming in.

Complicated definitions should not obscure the fact that the trade gap is essentially a reflection of the purchasing decisions of individual Americans—in this case a reflection of their preference for goods manufactured abroad, whether because they are cheaper, better made or not available at home. It also is a reflection of the inability of American companies to sell their products to foreign markets, whether because of price, quality or unfair restrictions on trade. Why does a trade deficit matter?

- It costs jobs. By one calculation, each $1 billion of lost trade equals 25,000 jobs. (This is offset, somewhat, by the jobs created to handle the sales of imports.)
- It threatens Americans' standard of living. A country with a trade deficit is a country that is spending more than it is earning. The U.S. is able to do so by attracting money from foreigners in the form of investments in the stock market or Treasury bills. But the dividends and interest on these investments run to billions of dollars. And since it must send this money abroad, the U.S. has less to spend at home—on public works, education and research.
- It causes political fallout, damaging alliances and undermining America's global leadership. This is already evident in the strained relations with Japan. Asks C. Fred Bergsten, director of the Institute for International Economics, "Can the U.S. continue to lead its alliance systems as it goes increasingly into debt to the countries that are supposed to be its followers?"

### Global marketplace

Ironically, it is America's very success as a trader that is the source of today's trade deficit. In the postwar years, the U.S. has been transformed from a nation largely independent of trade for its well-being to one of the world's leading exporters. That transformation fueled a tremendous surge of economic growth and was the foundation for America's global economic leadership, particularly from 1945 to 1960.

The great expansion in U.S. trade has bridged the oceans that once separated the U.S. from other cultures—and competition. The U.S. has grown simultaneously more dependent on trade and less able to export. In 1950, 6.3% of the goods made in the U.S. were exported and 5.6% of the goods bought by Americans were imports. By 1980, 19.7% of U.S.-made goods were exported, 21.9% of goods bought in the U.S. were imports. What steps should the U.S. take to become more competitive in the global marketplace?

### Unfair trading practices

Although the U.S. had a trade deficit with almost every country with which it traded in 1986, one third of the total was with only one country, Japan. Many believe this is because Japan and other competitors trade unfairly. They share President Ronald Reagan's assessment: "...if the U.S. can trade with other nations on a level playing field, we can...out-compete ...anybody, anywhere in the world." This view of the U.S. as international victim overlooks the fact that the U.S. itself puts restrictions on more than 18% of its imports. Nevertheless, America's traditional support of free trade has been undermined by the belief that others play by different rules. Can free trade be made fairer?

Concerns over competitiveness and fairness have led to a third area of debate: Should free trade remain the goal of U.S. trade policy? The Administration has answered yes. Its policy on competitiveness and trade was summed up facetiously, but not inaccurately, by one of the members of Reagan's commission on competitiveness as follows: "...the Administration believes: (a) there is no problem; and (b) if there is a problem, it's essentially a short-term problem; and (c) even if there is a problem, there is no important role for government in solving it."

Opponents of free trade tend to favor a more managed approach. They say that as America becomes increasingly dependent on the workings of a world economic system over which it has little control, it is all the more important for the U.S. to assert at home what control it can—whether by placing quotas on certain imports, or by restricting the surplus any one country can run with it. Both sides are profoundly influenced by their interpretation of free trade.

### Free trade in America

Like generals, who are said always to be fighting the last war, economists tend always to be preventing the last depression. For the past half century, the Great Depression of 1929-34 has dominated economic thought. Trade policy today is designed in part to avoid the devastating effects of that era's mistakes.

The great crash of 1929 worsened a bad economic downturn. But many economists believe that it was the passage of the Smoot-Hawley Tariff Act of 1930 that turned an economic downturn into an economic disaster.

That trade act, passed by Congress and signed by President Herbert Hoover, raised tariffs on imports up to 60%. America's trading partners retaliated by putting their own tariffs into effect, and by 1933 world trade had contracted by almost two thirds.

President Franklin D. Roosevelt's secretary of state, Cordell Hull, argued that not only did tariffs hurt economic growth, they also led to war. He reasoned that countries in economic disarray were more likely to have totalitarian leaders, who were in turn more likely to cause wars. As a consequence, Hull became a passionate advocate of a free trading system in which goods would move from country to country without restriction.

## Bretton Woods

The first of the major conferences on a new international order was held in Bretton Woods, New Hampshire, only three weeks after D-Day, June 6, 1944. (This somewhat out of the way place was chosen in part because John Maynard Keynes, one of the key figures in the conference, considered it an "unfriendly act" in the age before air-conditioning to be invited to a summer meeting in Washington, D.C.)

The Bretton Woods conference established the rules by which the exchange rates between currencies would be determined. Money and trade are indivisible issues. Ever since countries gave up bartering for goods, money has been the payment with which one country buys another's exports. But the value of a country's currency can be manipulated to some extent by the home government to give its exports an advantage. (In particular, by devaluing its currency—that is, lowering its value in relation to other currencies—a country can slash the price of its exports.) Such competitive devaluations were common during the years of the Great Depression. The Bretton Woods system put an end to the practice by establishing a system of fixed exchange rates.

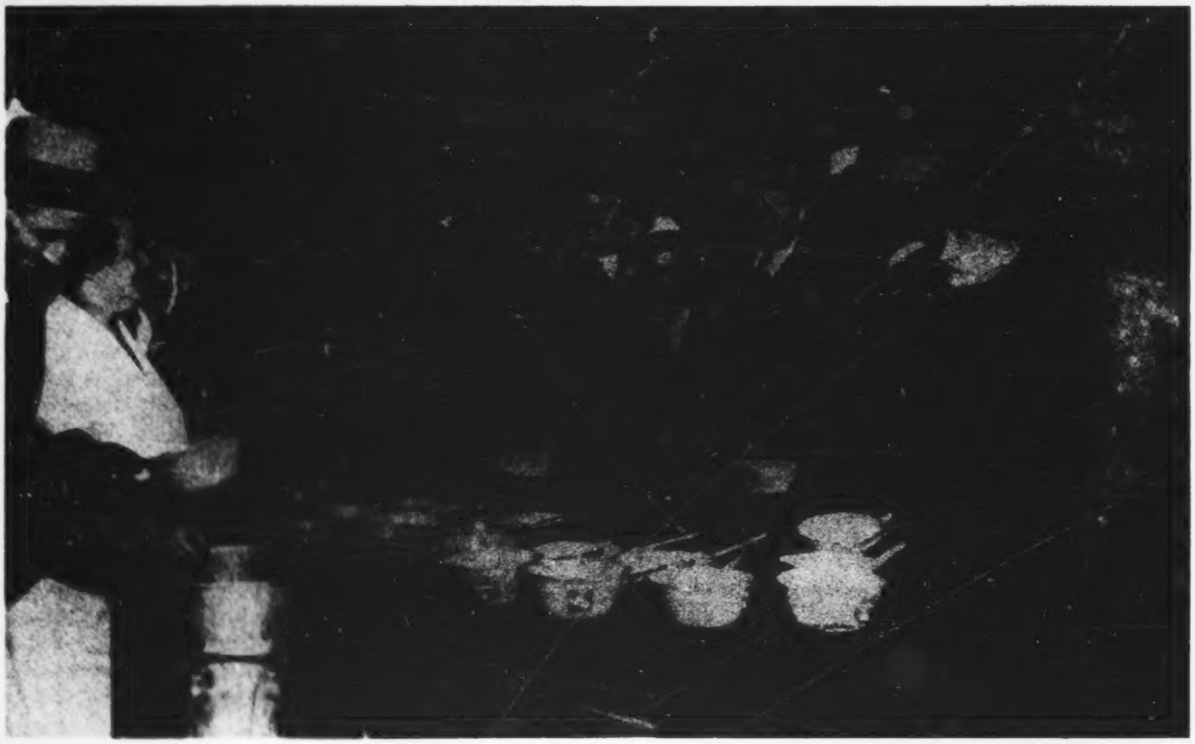
The price of gold was fixed at $35 an ounce and all other countries set the value of their currency in terms of the dollar. A currency's value depended on its country's economic growth, inflation and interest rates. The system allowed other countries to alter their exchange rates in exceptional cases, but the U.S. was required to maintain the dollar's value. Since most industrial countries used the U.S. dollar as a major component of their financial reserves, a drop in its value would reduce the worth of such reserves, causing panic.

One key aspect of the system was the convertibility of dollars into gold. Any country that preferred to hold gold instead of dollars could redeem the dollars at the rate of $35 for one ounce of gold. This was believed to be a way of encouraging discipline, since the U.S. would be loath to do anything that would prompt a run on its gold. At the time of the conference, the U.S. held 70% of the world's mined gold.

## The rules of trade

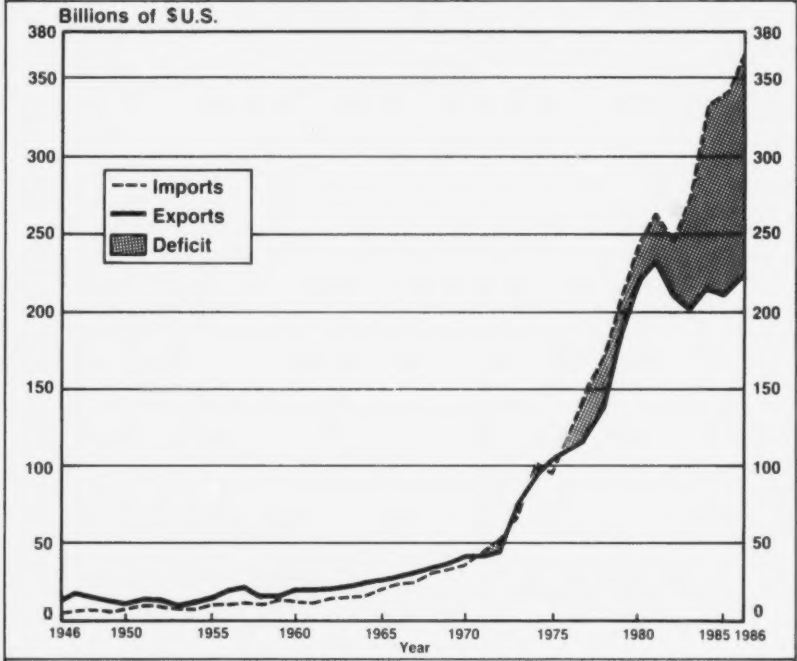
The General Agreement on Tariffs and Trade (GATT), established some three years after the Bretton Woods conference, was the second pillar of the postwar economy. Its objective was the reduction of tariffs. The movement toward lowering tariffs had begun in the 1930s as the U.S. negotiated bilateral treaties with its trading partners. But GATT was a more comprehensive approach.

The concept underpinning GATT is **"most-favored-nation" treatment**: if a country gives a trade advantage to one country, it should give the same advantage to every other country. In this way, all countries trade on



*A Chicago soup line, circa 1930.*

**Trends in U.S. Trade**



*Source: U.S. Commerce Department.*

an equal footing with a given country.

For 25 years, GATT succeeded far beyond the expectation of its founders. Although the ideal of free trade was never realized (restrictions on agriculture and other sectors remained in place), trade was much freer and the growth of the world's economies appeared to justify the faith of its advocates. For West Germany and Japan in particular, exports were the source of miraculous economic growth. By 1958 six European countries were strong enough to create the Common Market, which fostered intra-European trade by abolishing tariffs within the Community while establishing a common tariff toward other countries.

As world trade expanded, so did GATT. Once considered a "rich man's club," since most of its original 23 members were major industrial powers, GATT now numbers 96 members. Although invited, the Soviet Union originally chose not to take part in GATT or Bretton Woods, preferring to establish its own economic bloc with the Eastern European satellites. Czechoslovakia, Hungary, Poland and Romania did later join GATT, but East-West trade remains a small percentage of international trade. (The Soviet Union has since expressed interest in joining.)

### Troubles begin

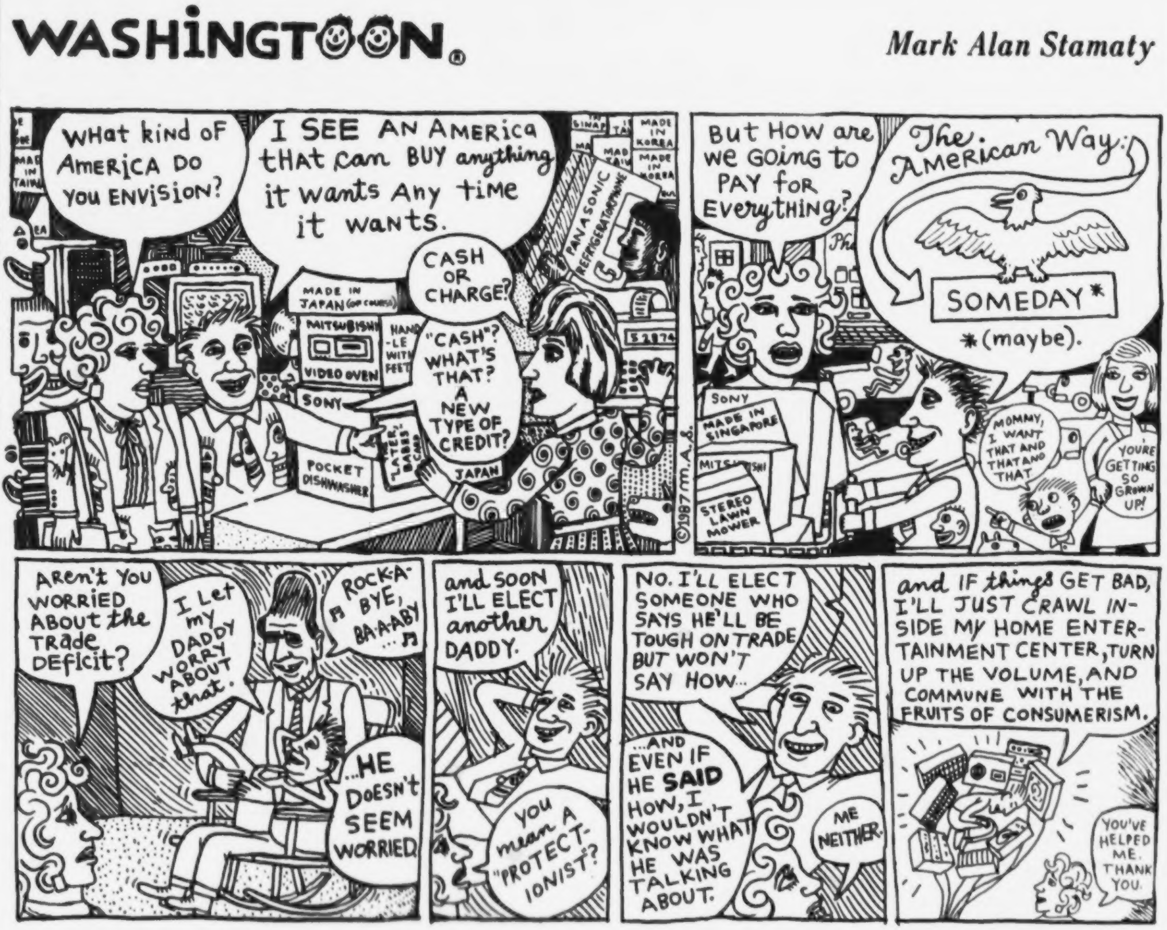
The U.S. was the major beneficiary of the expansion of world trade in GATT's first quarter century. The U.S. was easily able to sell its goods abroad, at first because it was the one industrial economy not damaged by the war, later because of its technological innovations. Exports soared, new jobs were created, and the economy grew. Thanks to the Marshall Plan, which poured more than $13 billion into Europe, the Europeans had the money to buy American products—making trade possible. But as Professor Howard Wachtel of American University points out, this system "...depended on American products being so superior in price and quality that the dollars exported abroad returned as purchases of U.S. products." If this did not happen, unspent dollars would pile up abroad. This is what happened in the late 1950s when dollars flowing out in the form of loans, grants, military expenses and private investment exceeded foreign demand for American goods.

By 1958, U.S. dollars abroad exceeded the value of America's gold reserves. This meant that if they so desired, foreigners could empty Fort Knox. Countries began to cash in their dollars for gold. In 1959 the U.S. paid out 10% of the gold in Fort Knox to foreigners.

Newly elected President John F. Kennedy, who had made the gold crisis an election issue, was able to restore the U.S. allies' confidence in the dollar and slowed the run on Fort Knox. (Kennedy was reported to have said that the two things which scared him most were nuclear war and the payments deficit.) But the Vietnam War and the social welfare programs promoting a Great Society were the Bretton Woods system's death knell. Unwilling to raise taxes enough to pay for the high levels of spending, the U.S. government instead took the inflationary step of printing more dollars, many of which were cashed in by foreign governments for gold. By 1969, half the U.S. gold reserves were gone.

Finally, in 1971, President Richard M. Nixon took the dramatic step of ending the convertibility of dollars into gold. Nixon had not intended to end the system of fixed exchange rates or to devalue the dollar, but rather to force other countries to raise the value of their currencies and promote changes in the system. However, the effect of his action was to cause a devaluation of the dollar, which was formalized in the Smithsonian agreement of 1971. It was not possible to salvage Bretton Woods. By 1973, the prices of most currencies were floating like other commodities—sugar, pork bellies, coffee—with their value going up or down depending on supply and demand.

The effects on U.S. trade were beneficial initially. The dollar's depreciation made U.S. goods cheaper and more competitive. The trade balance improved. But the new global marketplace is much less stable and orderly than its predecessor, and the U.S. role less clearly defined. Can the U.S. be the leader of the global economy? Should it be satisfied with being first among equals? Or is it in danger of forfeiting its economic leadership? The answer, many believe, rests on whether the U.S. can be competitive in the global marketplace.


WASHINGTOON
Mark Alan Stamaty
WHAT kind oF AMERICA DO YOU ENVISION?
I SEE AN AMERICA THAT can BUY anything it wants Any time it wants.
CASH OR CHARGE?
"CASH"? WHAT'S THAT? A NEW TYPE OF CREDIT?
MADE IN JAPAN (of course)
MITSUBISHI
VIDEO OVEN
HANDLE WITH FEET
SONY
POCKET DISHWASHER
LATER BANK CARD
JAPAN
PANASONIC REFRIGERATORPHONE
MADE IN KOREA
But HOW are we GOING to PAY for EVERYTHING?
The American Way:
SOMEDAY*
*(maybe).
SONY
MADE IN SINGAPORE
STEREO LAWN MOWER
©1987 m.A.S.
MOMMY, I WANT THAT AND THAT AND THAT
YOU'RE GETTING SO GROWN UP!
AREN'T YOU WORRIED ABOUT the TRADE DEFICIT?
I Let my DADDY WORRY ABOUT that.
ROCK-A-BYE, BA-A-ABY...
...HE DOESN'T SEEM WORRIED.
and SOON I'LL ELECT another DADDY.
You mean A "PROTECTIONIST"?
NO. I'LL ELECT SOMEONE WHO SAYS HE'LL BE TOUGH ON TRADE BUT WON'T SAY HOW...
...AND EVEN IF HE SAID HOW, I WOULDN'T KNOW WHAT HE WAS TALKING ABOUT.
ME NEITHER.
and IF things GET BAD, I'LL JUST CRAWL INSIDE MY HOME ENTERTAINMENT CENTER, TURN UP THE VOLUME, AND COMMUNE WITH THE FRUITS OF CONSUMERISM.
YOU'VE HELPED ME. THANK YOU.

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# A Reluctant Trader

*No nation was ever ruined by trade.*
—Benjamin Franklin

FRANKLIN COULD afford to be sanguine. In his day, America's "adventurous spirit," along with its bountiful resources, attractive manufactured goods and competitive merchant fleet, "excited uneasy sensations in...Europe," according to Alexander Hamilton. This confident approach has been shaken in the 1980s by questions about America's competitiveness.

At its most basic level, competitiveness means that the U.S. must be able to manufacture goods and sell services at prices cheap enough to make them attractive worldwide, yet high enough to ensure companies a profit and workers a fair wage. The stakes are high: today some 70% of U.S. manufactured products must compete with a foreign product, as compared with 25% in 1960.

It is too soon to count the U.S. out as a global competitor, but its standing has been severely eroded. Among the causes are the quality of U.S. goods, the volatility of the dollar and the decline of markets for U.S. goods.

## Finding a niche

One theory as to the origins of the trade deficit might be described as a national version of jet lag—neither government, workers, nor management have yet adjusted to the reality of the global marketplace. In this view, the trade deficit is a result of fundamental problems in important sectors of the U.S. economy, whether it be the poor quality of some U.S. goods, management's inability to design effective export strategies, or the workers' lack of commitment to trading that their East Asian competitors have. When South Korean strikers returned to work in August 1987, for example, many agreed to put in 65-hour weeks until their companies' lost export earnings were regained.

Should Americans be expected to work like this as well? If not, should Americans be willing to accept a lower standard of living? Or should the government be doing more? Should it target certain industries for aid?

According to the theory of free trade, the U.S. should export those products in which it has a comparative advantage. First articulated by early 19th-century Scottish economist David Ricardo, stockbroker and self-made millionaire, the theory of comparative advantage explains that it pays for a nation to specialize.

Ricardo argued that a country should concentrate on those products it could produce relatively more cheaply than other countries. With its well-educated work force and advanced technology, the U.S. might conclude that its comparative advantage lies in manufacturing computers, aircraft and optical equipment rather than in labor-intensive industries such as textiles or steel.

The actions of American multinational corporations (MNCs) would seem to reflect that. These companies, such as General Motors, Coca-Cola and IBM, are headquartered in one country but have subsidiaries in several. Such companies, which include most of America's largest, manufacture their products where they believe it is most efficient.

Increasingly, many MNCs have been moving their factories abroad, to Mexico, Hong Kong and other countries where labor is less expensive. Even Zenith, the last American manufacturer of TV sets, relies on its Mexican plants for some of its parts. Said chairman Jerry K. Pearlman, "It's a global business....Everybody has got a foreign chassis in their sets." Such decisions exacerbate the trade deficit, however, since a product made abroad by an MNC and sold in the U.S. is considered an import.

This also raises troubling questions. The implication is that American workers should earn less (Zenith has used the threat of moving more production to Mexico in order to win contract concessions from union workers) or that the U.S. should turn away from all labor-intensive industries. The result of the latter would be the loss of thousands of jobs and of industries important to national defense, such as steel. The fact that the Japanese have invested in such industries in the U.S.—automobiles, steel—and that the products they make in the U.S. are sold abroad suggests that with proper management, despite high salaries, U.S. industries can compete.

Even if the U.S. concentrated on those areas where it appears to have comparative advantage, would that solve its trade imbalance? The semiconductor industry, for example, was until recently a profitable export business. But it foundered under the bombardment of Japanese exports.

For those who see the U.S. trade deficit as a reflection of a fundamental problem in its economy, the solutions are several. They include spending more money on research and development, improving education and worker training, enhancing the quality of American goods, expanding U.S. managers' knowledge of foreign production techniques and targeting aid to affected industries. Others think the trade deficit has nothing to do with comparative advantage; they blame it on the dollar.

## The dollar's impact

In every year from 1894 to 1971, the U.S. had a trade surplus. The sharp deterioration in the balance of trade since then, notably since 1981, has been attributed by analysts such as former presidential economic adviser Martin Feldstein to the 70% rise in the value of the dollar vis-à-vis other major currencies (the Japanese yen, British pound, French franc, etc.) that took place between 1980 and 1985. Feldstein argues, "...the cause of the trade deficit lies not in the character of the American work force or of American management ....Such fundamental aspects of a nation's industry cannot change in as short a time as five years."

The sharp rise in the value of the dollar added the equivalent of a 70% sales tax to all goods sold abroad. As a result, U.S. goods have been expensive overseas, while foreign imports have been cheap in the U.S. The overpriced dollar acted like a subsidy to foreigners trying to sell in the U.S. Even its drop in value through the fall of 1987 left the dollar higher than many believed it should be.

Most economists credit the rise in the dollar's value to the Federal budget deficit. The growth of the deficit (from $74 billion in 1981 to $237 billion in 1986) pushed up the price of money—its interest rate—and therefore pushed up the value of the dollar. (High interest rates lead to a high dollar because they make investing in the U.S. attractive. To invest, foreign countries must first convert their currency into dollars, which has the effect of increasing demand on the dollar and pushing up its value in comparison with other major currencies.)

On September 22, 1985, at the Plaza Hotel in New York, U.S. Treasury Secretary James A. Baker 3d and Federal Reserve Chairman Paul Volcker met with the finance ministers from Britain, France, Japan and West Germany (known as the Group of 5). Recognizing that the dollar's extra strength was distorting trade and inflaming protectionist sentiments, this group agreed that "further orderly appreciation of the main nondollar currencies against the dollar is desirable."

The Group of 5 announcement gave momentum to a drop in the dollar that had begun some months before. From 1985 to 1987, the dollar dropped in value by 30% against other major currencies. The group then called a second meeting in 1987 in which they agreed to "cooperate to foster stability," in this case to slow the rapid drop in the dollar.

Has the dollar's drop in value helped the U.S. balance of trade, as had been expected? Yes, but not as much as had been hoped. U.S. demand for foreign products remains strong, and foreign companies have been willing to cut their profits on their exports to America to maintain their market share. In August 1987 the merchandise trade balance dropped to $15.7 billion from the July record of $16.5 billion. Such a small contraction after such a large drop in the dollar caused fears among investors, who were concerned that a further drop in the dollar's value might lead to inflation or higher interest rates. This was one of the causes of the 1987 stock market crash.

## Closed markets

The stagnation of America's major markets has hindered U.S. exports. Latin America, in particular, has been deep in debt for the last few years and forced to cut back its imports while pushing exports.

In its heyday in the 1970s, when foreign banks were recycling petrodollars in the form of large loans to Latin America, that region absorbed some 40% of U.S. exports. But the 1979 oil price hike, high interest rates and the world recession in the early 1980s, combined with a wasteful use of the foreign loans, led to a debt squeeze. In 1982 Mexico announced it could not pay the interest on its loans, and other major borrowers soon followed suit.

The International Monetary Fund (IMF), a multilateral agency created by the Bretton Woods agreements, became the pivotal agency involved in aiding the debtor countries. In most cases, to earn IMF assistance, Latin American countries had to implement economic austerity programs. Countries had to reduce imports sharply and to increase exports as much as possible in order to earn the money they needed to pay back the banks. As a result, purchases from the U.S. dropped by $14 billion in two years.

In a 1987 special report on trade, the editors of *Business Week* recommended that the U.S. and other industrial nations finance a new assistance program, along the lines of the Marshall Plan, to aid developing countries. Massive infusions of aid are needed before the Latin Americans will have enough money to get their economies back in shape and resume their purchases of imports, which will help the U.S. The editors caution: "The U.S., Japan and the other main players are writing off markets of more than a billion people who simply can't afford their goods."

Two other major markets, West Germany and Japan, also went on a stringent diet in the early 1980s, though in their case it was self-imposed. The leaders of West Germany and Japan do not believe that fiscal deficits produce sustainable growth. Instead of encouraging consumer purchases the way the U.S. has (by, for example, cutting taxes), they have followed the opposite approach and have increased taxes and encouraged saving. The U.S. has urged its allies to prod their consumers to spend more, thus, it is hoped, providing a larger market for U.S. goods. Japanese Prime Minister Yasuhiro Nakasone said in April 1987 that Japan would spend $23 billion to encourage domestic consumption.

***Yasuhiro Nakasone stepped down as prime minister in November 1987.***

America's trade balance is also affected by the way other countries trade. Of particular concern are those actions considered unfair. How can the U.S. make the rules fairer?

# Keeping the Bicycle Moving

On September 15, 1986, trade ministers met in Punta del Este, Uruguay, to ready the agenda for the eighth round of GATT negotiations. This round promises to be far more difficult than its predecessors, yet many believe that the fate of free trade hinges on its results.

GATT talks are the forum in which the rules of free trade are discussed and hammered out.In its early days, the negotiations focused on tariffs. As a result of the seven earlier rounds, particularly the Kennedy Round (1963-67) and the Tokyo Round (1973-79), tariffs have been lowered from an average of 40% to 5%.

Trade analysts C. Michael Aho and Jonathan David Aronson have suggested that the U.S. initiated the Uruguay round of negotiations, not in the hope of a great breakthrough, but to prevent a breakdown of the multilateral trading system. They have called this "the bicycle theory of negotiations"—"unless forward momentum is maintained, the trading system, like the bicyclist will tumble over."

For free traders, the greatest benefit of these talks would be to shore up their constituencies in the U.S. Domestic support for free trade has always been lukewarm. In a 1953 survey, at a point when the U.S. was clearly the dominant economic power and easily able to export, more people favored increasing the restrictions on imports than increasing their volume. A survey in 1986 by the Chicago Council on Foreign Relations found that 78% of the public surveyed believed protecting jobs should be America's foremost foreign policy concern for that year.

That free trade, paradoxically, has remained a goal of America's policy can be traced to several causes. Up until 1987, when it was displaced by West Germany, the U.S. was the world's major exporter. Free trade policy was ardently supported by those sectors that were then most competitive in world markets—automobiles, agriculture and manufacturers of heavy equipment—while it was ardently opposed by few, since it made up too small a part of the gross national product to hurt many. Also, in the wake of the depression, it was seen as unstatesmanlike to be labeled a protectionist. Said Chrysler chairman Lee A. Iacocca, "a member of Congress would rather be called a pervert than a protectionist."

The traditional coalition of supporters has broken down today, as many of the most pro-free trade industries are losing to international competition. In an effort to recapture support for its policy, the Reagan Administration is trying to fashion a new free trade coalition. It includes representatives from the high-technology industries, services (telecommunications and banking), and MNCs. Reagan's agenda for the GATT talks reflects this new coalition's interests: fair trade, standardization of services, reform of agricultural trade, more-open investment practices for MNCs, and improved protection of patents and copyrights. (This last has long been of concern to companies whose patented inventions have been copied and sold by Asian countries.) By contrast, tariffs will play a small role in these negotiations.

### Fair trade

GATT does not offer clear-cut definitions of many unfair trade practices or a well defined way of disposing of them. For example, neither of the following practices has been penalized by GATT:

- In South Korea, construction firms are subsidized by the government when they bid on foreign projects.
- In Western Europe, airline reservation systems do not list the flights of American carriers.

The result, claims U.S. Special Trade Representative Clayton K. Yeutter, is that "as currently constituted, GATT does not address many of the realities of modern trade."

In the absence of agreed-upon definitions, countries tend to define for themselves those practices they consider unfair. For example, legislation considered by Congress in 1987 designates as an unfair trade practice the denial by other countries of workers' rights, such as the right to form unions. But an offending country might respond that it is the U.S. legislation that is unfair in that it attempts to impose on others an alien value system or raise other countries' costs so that they are not competitive.

Aho and Aronson make this case for better defined rules: "If they were up to date and widely accepted, GATT rules and procedures would allow government leaders to do what they know is in the national interest even in the face of pressure to help narrower, special interests." The difficulty in negotiations will be to come to some consensus about definitions.

### Services

Trade in services now makes up 32% of global trade and it is a growing sector. The U.S. is a leader in this field, which includes consulting, banking, insurance, telecommunications and transportation.

Up until 1981, America's service earnings were sufficiently great that they could offset its deficits in merchandise trade. Even last year, services rang up some $6.9 billion in profits for the U.S. But America's ability to increase its trade in services is hampered by the restrictive nature of this field. For example, in many countries, areas such as banking or telecommunications are tightly regulated and often government owned. This makes foreign participation difficult.

The Reagan Administration, which has made the establishment of rules to govern trade in services one of its first priorities, signed a trade pact with Canada in October 1987 that the U.S. hopes will be a model for GATT. Under the terms of the accord both countries agreed to undertake to eliminate discrimination in financial services and to establish a binding dispute settlement mechanism for services.

### Agriculture

U.S. agricultural trade has been exempt from most GATT regulations since 1955, when the U.S. asked for and received a waiver. Today, many members of GATT subsidize their agriculture—either by supporting prices or supplementing farmers' income. This distorts trade: it causes overproduction, which then leads to export subsidies or restrictions on imports.

## The U.S. and Japan

Shortly before Prime Minister Nakasone's visit to the U.S. in April 1987, President Reagan put sanctions on imports of Japanese color TVs, hand tools and some computers. During Nakasone's visit the U.S. House of Representatives approved a tough trade bill that would give the U.S. more means to respond to unfair trading practices. This was hardly a warm reception accorded to the representative of America's second largest trading partner.

The immediate cause of the sanctions—the first sanctions imposed on Japan since World War II—was Japan's alleged failure to implement a 1986 semiconductor agreement in which it promised not to sell its microchips abroad at prices below domestic cost, a practice known as dumping. But it also reflected a long-simmering trade dispute.

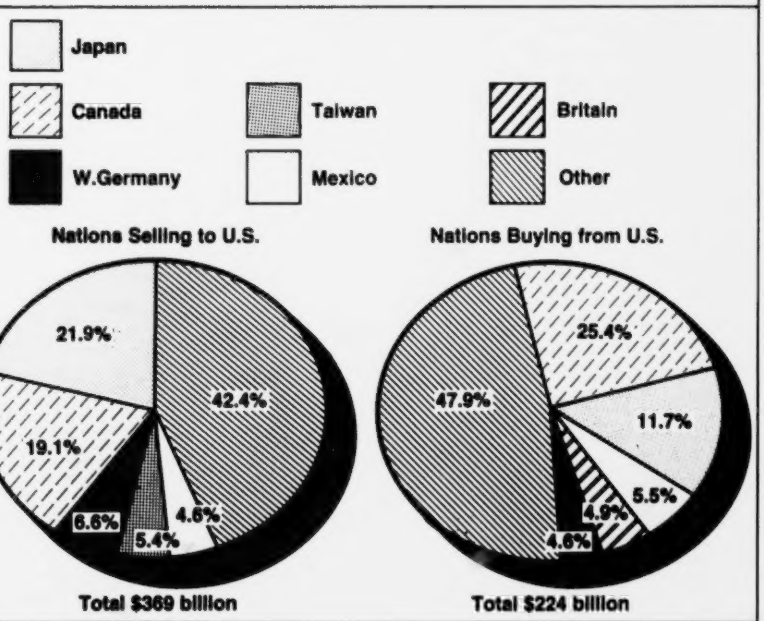
Japan, a resource-poor country, has relied on sales of its exports to purchase the fuel, food, raw materials and other commodities that have contributed to its dynamic economic growth. With exports equal to 17% of its total output of goods and services (adjusted for inflation), trade is for many Japanese an issue that transcends politics; it is a matter of survival.

The U.S. has only recently become dependent on trade, but for several decades it has had to make sacrifices—providing aid or restraining inflation—as required of the leader of the world economy. With Japan's economy catching up to that of the U.S., American policymakers expect the Japanese to be more willing to view trade as global—not just a domestic issue.

Japan argues that it has made progress in reducing trade barriers. In 1986 Japanese imports from the U.S. rose by 24% (though, if the gold bought for Emperor Hirohito's birthday is excluded, it is more like 4.8%). Global Japanese exports declined by 1.3%. The Japanese complain that the Americans expect Japan to solve their economic problems for them.

Many Americans are frustrated by the slowness with which the Japanese are opening their markets to imports. Said Senator John C. Danforth (R-Mo.): "We negotiate, we harangue, we cry, we sob, we plead, and nothing happens."

As the two countries try to work out their trade problems, the U.S. finds itself moving from a teacher-pupil role to a power-sharing position. Japan finds itself thrust into a role of greater international responsibility. Whatever pain such a shift may cause, it is clear that neither side has anything to gain from a trade war. Sums up Robert D. Hormats of Goldman Sachs, "The cost of a rupture would be too great to bear."



**The Major U.S. Trade Partners**

*Source: U.S. Commerce Department.*

The Reagan Administration has proposed a phaseout of all price and export subsidies for agriculture. The Administration hopes that this controversial proposal, as unpopular with domestic farmers as foreign ones, will be approved. The benefits to the U.S. would be great. In 1986, agricultural subsidies equaled 12% of the budget deficit. (Income supports are not part of this proposal.)

So far this proposal has not proved popular with most other GATT negotiators. But analysts hope that at a minimum it may be possible to negotiate some sort of standardization of subsidies. For example, countries could agree to support agricultural commodities through direct income assistance to farmers rather than by keeping crop prices high.

### MNCs

The increased importance of multinational corporations in international trade presents a unique set of problems. The interests of MNCs do not necessarily coincide with the interest of their home country. For example, the U.S. wishes to increase its automobile exports and might prefer for General Motors to do all its auto manufacturing in Detroit. General Motors, however, concerned with maximizing its profits, might decide to move some of its manufacturing to Mexico and export those parts back to the U.S.

One part of the Administration's platform that probably is appealing to MNCs is its effort to reduce trade-distorting investment practices. This would include negotiating an end to rules that require companies to keep a certain percentage of their profits in a given country; that set the number of residents who must be in management positions; and that regulate the percentage of a company that can be owned by foreigners.

### Other national agendas

Of the developed countries, Japan will probably be most supportive of the U.S. desire for clearly established definitions of fair trade. Japan can best hope to head off protectionist legislation against its exports by showing that it does trade fairly. This would be more easily done with a clear definition of the rules. One sign of Japanese interest was that former Prime Minister Nakasone was the first head of state to support the U.S. call for a new GATT round. Canada also is likely to be supportive since, as the major trading partner of the U.S., it also fears a rash of protectionism.

The European Community's agenda, which includes the protection of jobs in its agricultural sector, is likely to put it on a course diametrically opposite that of the other industrial countries. The Community is not expected to welcome further trade liberalization.

The major unknown is the developing countries. This is the first set of GATT talks in which they will play an active role. If they agree to open their protected markets, they could give as large a boost to world trade as it received in the 1940s from Bretton Woods and GATT. (Already some 40% of U.S. exports go to the Third World.) But the developing countries are unlikely to make such a concession unless they can increase their exports of labor-intensive goods, such as textiles and footwear, to the U.S. These exports would hurt the very industries that have already been damaged by Third World competition. The developing countries will also be unable to afford increased imports without some resolution of their debt crises.

### The last hurdle: Congress

Once the Uruguay Round is over, and that could take several years, the President will face the most severe hurdle, getting the agreement through Congress. The Constitution gives the Congress the authority "to lay and collect...duties" and to "regulate commerce with foreign nations." In practice, however, most trade legislation since the 1930s has been initiated by the President.

With trade increasingly an important domestic—and election—issue, Congress may be less eager to approve the results of the Uruguay Round than it has earlier rounds. Congress did not approve the delegation to the President of authority to negotiate at the GATT talks until the fall of 1987, one year after the agenda for the Uruguay Round had been set, and then attached it to an omnibus trade bill that the President is unlikely to approve. The bill, now in conference, includes measures that limit presidential discretion, require the President to take steps to open foreign markets and retaliate against identified unfair trading practices.

# A Trade Policy for the 1990s

*It is hard to call a nation protectionist which is running . . . [such a large] trade deficit.*

—W. Allen Wallis, under secretary of state for economic affairs

AMERICA'S TRADE POLICY seems destined for some modifications. But for all the overheated rhetoric, none of the measures being seriously considered would go so far as to close the U.S. to trade. Americans appear to believe, even if they don't like it, that the U.S. cannot withdraw from the trading system. What is being sought is a trade policy that will cover Americans' contradictory goals: to preserve U.S. jobs, keep the economy growing and cut the trade deficit—and still be able to buy inexpensive TVs, tape recorders, cars and other products. Below are some of the major measures being considered.

## Bilateral arrangements

The Reagan Administration has argued that one way to promote free trade is to work out bilateral reductions of tariffs with like-minded countries. The U.S. negotiated special trade agreements in 1985 with Israel and in 1987 with its largest trading partner, Canada, and with Mexico.

In the October 1987 accord with Canada, both countries agreed to reduce all tariff and nontariff barriers to zero by 1999. Although the result will be greater competition—in the U.S., for natural resource companies; in Canada, for telecommunications and banking—the overall effect is expected to be positive. Economist Paul Wonnacott of the University of Maryland predicted that trade expansion would create 5% higher growth for Canada and 1% for the U.S. by 1999.

The agreement was historic not only because of the size of the markets involved but because it dealt with issues such as private investment, service industries, financial institutions and government procurement. The Reagan Administration hopes this will establish models for international agreements in areas like investment and service industries where there are no rules.

Critics are dismayed by what they see as a U.S. movement away from multilateral trade agreements. Some trading partners are concerned that they will be closed out of trading zones and that the world will break up into a few trading areas, free within but surrounded by high barriers. Such trading zones, they believe, will be as inhospitable to real free trade as the barriers now raised by individual countries.

*Canadian Prime Minister Brian Mulroney visits President Reagan in 1986.*

## Reciprocity

The goal of those Americans who favor reciprocity is to get others to open their markets in return for allowing them access to the U.S. market. The Gephardt Amendment to the broad trade legislation—approved by the House of Representatives in April 1987—serves up a form of reciprocity in that it would require the President to retaliate against countries that have unfairly built up large surpluses in their trade with the U.S. If a country refused to negotiate an end to its trade barriers, and then did not respond to U.S. quotas and fees, the amendment requires that actions be taken to reduce that country's trade surplus with the U.S. by 10% a year. This could be done by repealing a trade agreement or by imposing an import ban. Advocates of the amendment argue that it cannot rightfully be called a protectionist measure since its goal is to get countries to open markets.

President Reagan has criticized this measure for tying the President's hands. He said it risks "sending our economic relationship with a friendly country crashing into the sea because Congress put our policy on automatic pilot."

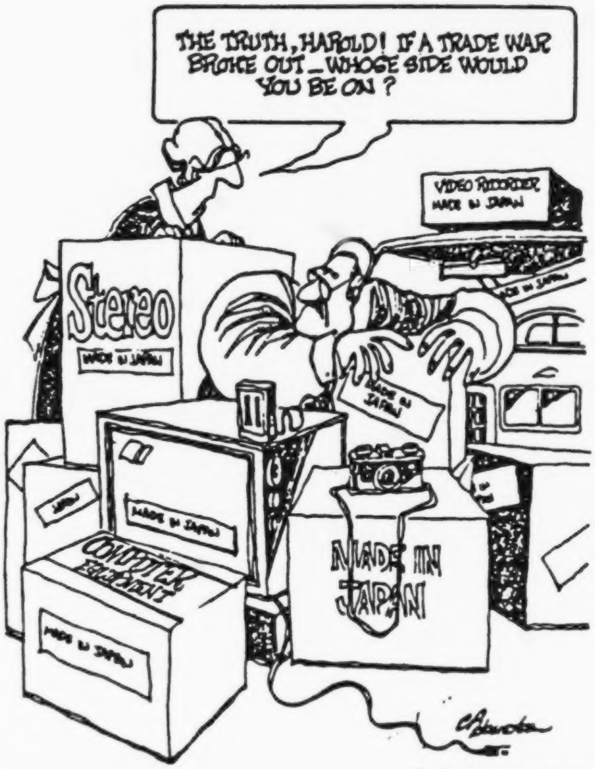
Critics also caution that reciprocity cuts both ways: the U.S. is not guiltless when it comes to trade restrictions. If other countries began to require the U.S. not to run up a surplus with them, America's ability to lower its own trade deficit could be damaged.

## Aiding affected industries

In February 1987, an advisory panel issued a report to the Defense Department warning of the imminent demise of the semiconductor industry unless steps were taken to protect it. The report called on the Defense Department to invest $2 billion during the next five years in microchip research and development. This sort of proposal is loosely called industrial planning. The idea is that the U.S. government would provide assistance to targeted industries, though proponents differ as to whether the industries should be ones in potential high-growth areas or those that are particularly vulnerable to foreign competition.

Advocates point out that industrial planning is an accepted practice: it has contributed to Japan's success. In order for old industries to regain competitiveness or new ones to achieve it, they must be protected for a while from outright competition. If they are not helped to become competitive, the U.S. will lose a valuable source of jobs. Even if the industries never do become competitive, there may be valid national security reasons for subsidizing them.

Critics attack the assumption behind this policy—namely that the government knows more than the stock market. If the semiconductor industry had the potential for great profits, people would be investing in it. If an industry is not competitive, no amount of government assistance can help it.


THE TRUTH, HAROLD! IF A TRADE WAR BROKE OUT—WHOSE SIDE WOULD YOU BE ON?
VIDEO RECORDER MADE IN JAPAN
Stereo
MADE IN JAPAN
COMPUTER EQUIPMENT
MADE IN JAPAN
MADE IN JAPAN

Clyde Peterson, *Houston Chronicle.*

### Improving the rules

Some analysts believe that one of the reasons that the public has lost faith in free trade is that the rules are so haphazardly enforced. Under Section 201 of the Trade Act of 1974, an industry that believes imports to be "a substantial cause of serious injury..." may bring a complaint before the U.S. International Trade Commission, a nonpartisan arm of government. From 1975 to 1985, 59 investigations were conducted by the ITC; 30 were found to be justified, but in only 19 cases was any relief granted.

If companies are not confident that their injury will receive compensation, they will be more likely to lobby for protectionist measures, some argue. Robert Z. Lawrence and Robert E. Litan of The Brookings Institution conclude that there should be some sort of automatic relief for winners of cases before the ITC, even if tariffs are not possible.

Some critics believe that the costs of enforcing such rules are too high. One study found that relief to industries on average cost consumers $340,000 for each job saved. Other critics, such as I.M. Destler of the University of Maryland, believe that such rules are misleading in that they give companies the impression that trade problems can be corrected by law.

### Protecting workers

At the heart of the trade dilemma is the concern over the fate of those whose jobs are lost and lives disrupted by fluctuations in trade. If these workers were better protected, there might be less pressure on the Administration to take protectionist steps, some have argued.

In 1962, President Kennedy established a trade adjustment assistance program (TAA) to provide aid and training to workers whose loss of jobs could be blamed on tariff reductions. The rules were so restrictive, however, that few workers could take advantage of them, and in 1974 Congress liberalized the measure, making all workers displaced by trade—not just tariff cuts—eligible.

The new rules led more workers to file for TAA. In 1980, because of massive layoffs in the auto industry, the government paid out $1.7 billion for the TAA (compared with the annual average of $300 million previously). The incoming Reagan Administration believed that the program cost more than its results warranted. It made the eligibility requirements stricter. As a result 180,000 people participated in the program during the first term of the Reagan Administration as compared to 1.3 million during the Carter Administration.

Supporters of TAA argue that workers cannot be expected to support free trade unless they have some sort of safety net. Critics argue that the program is too expensive and that at this point in time, too many workers are affected by the ups and downs of trade for it to be practical for the U.S. to subsidize them.

★★★

America is both a major victim and beneficiary of the trading system that it helped set up more than 40 years ago. Today's record trade deficit presents citizens with complex choices among which no one answer can absolutely meet the national interest. What steps should the U.S. take to meet the trade challenge?

**OPINION BALLOT** on page **95**

## For Discussion

**1.** In 1929 there was a stock market crash followed by protectionist legislation, which put the U.S. into a depression. What parallels do you see with today's economy? What differences do you see?

**2.** You are an American consumer in the market for a new car. Would you buy a car made in Japan? Would you limit your choice to U.S. models? What effect would your decision have on the trade deficit?

**3.** The U.S. has advocated a policy of free trade since the Great Depression of the 1930s. Do you think it has worked? Should the Reagan Administration continue to try to make trade freer or should it adopt another policy?

**4.** Are some industries so important to the U.S. that you think the government should protect them from foreign competition? If yes, which industries would you put in this category?

**5.** Which of the following do you think is the cause of the trade deficit: The quality of American goods? The value of the dollar? The closing of markets? Unfair trade practices?

**6.** If all Americans only bought American-made products there would be no trade deficit. Would you want to follow such a policy? How would it affect the standard of living? What are the advantages and disadvantages of "Buy American?"

**7.** The Gephardt Amendment would force some countries to reduce their trade surpluses with the U.S. Do you think this would work?

**8.** You are the head of a major steel manufacturer. You have an opportunity to close your American steel mills that have been unprofitable and set up new ones in Taiwan. The President of the U.S. asks you not to because you would be putting 1,000 people out of work. What would you do, and why?

## Suggested Readings

Aho, C. Michael, and Aronson, Jonathan David, **Trade Talks: America Better Listen!** New York, Council on Foreign Relations, 1985. 179 pp. $8.95. The book is "a primer for the interested, intelligent layman."

Bergsten, C. Fred, "Economic Imbalances and World Politics." **Foreign Affairs**, Spring 1987, pp. 770-94. Author concludes trade deficit of the U.S. could undermine its global leadership.

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Destler, I.M., **American Trade Politics: System Under Stress**. Washington, D.C., Institute for International Economics, and New York, The Twentieth Century Fund, 1986. 366 pp. $18.00. University of Maryland professor describes the various ways in which domestic politics influence trade policy.

Feldstein, Martin, "Correcting the Trade Deficit." **Foreign Affairs**, Spring 1987, pp. 795-806. Former economic adviser to Reagan expects the dollar's value to fall until it is low enough to achieve a trade surplus.

Gordon, Bernard K., "Truth in Trading." **Foreign Policy**, Winter 1985-86, pp. 94-108. Political science professor gives the good news about the trading position of the U.S.

Heilbroner, Robert, "Hard Times." **The New Yorker**, September 14, 1987, pp. 96-109. Economist believes hard times are ahead for the U.S. because it lacks political will to lead.

Heinz, John, "International Trade: Salvaging the Long Run." **Vital Speeches of the Day**, February 15, 1987, pp. 277-79. Pennsylvania senator urges legislation that will make trade more fair.

Hormats, Robert D., "Reforming the International Monetary System: From Roosevelt to Reagan." **Headline Series** No. 281. New York, Foreign Policy Association, November/December 1986. 80 pp. $4.00. Good history of Bretton Woods and the monetary system that succeeded it by vice-president of Goldman Sachs & Co.

McMinn, Douglas W., "Trade Policy: Where Will America Lead?" **Department of State Bulletin**, October 1986, pp. 31-34. Address by assistant secretary for economic and business affairs.

*For further in-depth reading, write for the GREAT DECISIONS '88 Bibliography (See page 2).*

ILLUSTRATION CREDITS: p. 25, Jim Wilson, NYT Pictures; p. 27, AP/Wide World Photos; pp. 28 and 33, Robert Mansfield; p. 34, Bill Fitz-Patrick, The White House.

# The Soviet Union

4

## GORBACHEV'S REFORMS

EARLY IN JUNE 1987, Soviet citizens in 5% of the U.S.S.R.'s more than 50,000 districts went to the polls, not to vote approval for the usual single candidate on the ballot, but to choose among several candidates for local office approved by the party. In March, Moscow announced that Boris Pasternak's *Dr. Zhivago*, formerly banned in the Soviet Union and its author denounced as a "pig rooting in our Soviet garden", would be released in the U.S.S.R. In early August 1987, a Soviet comedian complained to a *New York Times* reporter that he no longer had any material: since today "we can say anything we want . . . nobody is very interested. The newspapers are already saying it." In October 1987, Moscow announced it would pay all its outstanding debts to the United Nations, including $197 million for peacekeeping forces, which it has refused to finance in the past on the grounds that they are illegal. And within two months of being released from internal exile in the city of Gorky, noted physicist, dissident and human rights activist Andrei Sakharov made a speech in which he expressed his approval of the Soviet Union's new leader, Mikhail S. Gorbachev, under whose rule all of these things have occurred.

***Thinking big and talking tough: Gorbachev takes on the system.***

Gorbachev has been surprising people since he succeeded Konstantin Chernenko as general secretary of the Communist party on March 11, 1985. He has impressed Western diplomats and leaders with his intelligence, his outgoing manner and his imaginative approach to a variety of issues. At home, he has shaken up the party bureaucracy, cracked down on alcoholism and absenteeism among Soviet workers, permitted some dissidents and Soviet Jews to emigrate and loosened restraints in the arts and the press. At a plenary meeting of the Central Committee of the Communist party in June 1987, Gorbachev announced a range of economic reforms that included legalizing some small-scale private enterprise and allowing those running state-owned businesses to decide how to spend some of their profits.

In the West, Gorbachev has prompted questions, at first, about whether his actions were any more than window dressing and, more recently, about whether the reforms he is pursuing will be drastic enough to produce the results he wants. Above all, observers wonder whether a reformed Soviet Union would be good or bad for the U.S.

What is Gorbachev up to? What are his intentions? How significant are the changes he is implementing, and what are the implications of his reform program for the U.S.?

## A country in crisis?

Gorbachev's accession to power in March 1985 ended a protracted succession crisis. Leonid I. Brezhnev, who died in November 1982, had ruled the Soviet Union for 18 years of unprecedented political stability. His tenure was characterized by such low turnover in the upper echelons of the government and Communist party apparatus that the people available to take over when he died were almost as old and as ill as he had been.

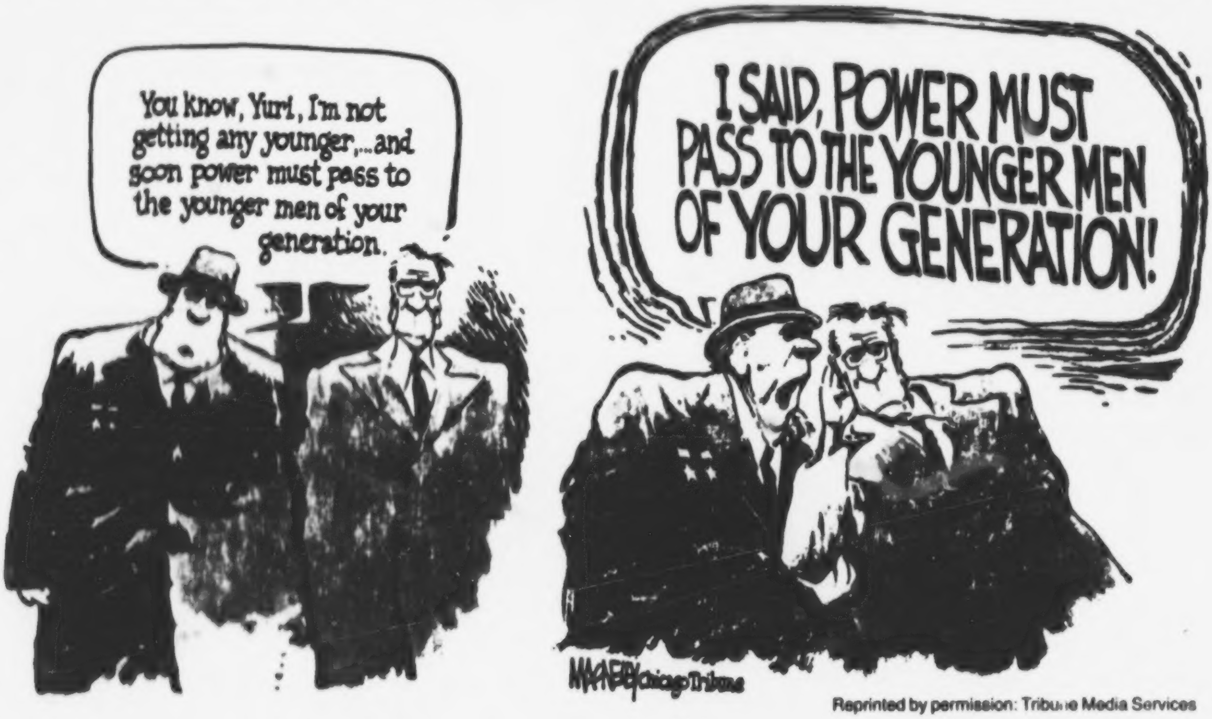
The election of Yuri Andropov, 68, as general secretary to succeed Brezhnev seemed to reflect a recognition by some in the Kremlin that the Soviet Union needed to be shaken out of the torpor of the later Brezhnev years. Although Andropov was a reformer, he ruled for only 15 months before dying in February 1984. His successor was Konstantin Chernenko, 73, a Brezhnev protégé. The Chernenko regime abandoned Andropov's reform program in all but name and undertook no major initiatives, either on the domestic or the foreign policy front. Thirteen months after his election, much of which he spent out of sight because of poor health, Chernenko died.

Soviet fortunes in 1985, both domestic and international, were in a state of decline. Although Brezhnev had achieved some economic successes and had presided over the Soviet Union's emergence as a military superpower, economic growth had slowed dramatically since the 1960s. Labor productivity fell as the ready availability of energy and other needed raw materials declined and as industrial machinery and equipment aged. In agriculture, the Soviet Union, which had been a net exporter of grain in 1963, was heavily reliant on imports by the early 1980s. Despite heavy investment throughout the Brezhnev era, agricultural productivity fell drastically after the mid-1970s. When poor weather caused four straight disastrous harvests beginning in 1979, food shortages became so severe that rationing had to be adopted in major Soviet cities in 1981-82—despite the importation of some 40 million tons of grain. Average citizens have experienced Soviet economic woes daily in the form of shoddy manufactured goods and long lines for staples that may well run out by the time they get to the counter.

As economic troubles multiplied, so did social problems. Corruption in government and industry flourished, as did alcoholism and absenteeism in the workplace. The divorce rate rose, life expectancy dropped and infant mortality climbed to levels more on the order of a developing country than of one of the world's largest economies. These statistics did not bode well for the Soviet Union at a time of labor shortages and low worker productivity.

Internationally, after reaching a pinnacle of military and diplomatic power and prestige in the mid-1970s, Moscow suffered reversals in countries where it had invested heavily. In December 1979, the Soviet Union invaded Afghanistan to prop up the pro-Soviet government there, which was under attack by Muslim resistance groups. That war, still going on today, has cost Moscow over $5 billion and claimed an estimated 12,000 Soviet lives. Unrest in Poland, geographically the most important of the Soviet Union's East European allies, became so severe in 1980-81 that the Polish government imposed martial law.

Many of the Communist party elite feared these problems were gradually undermining the viability of Communist party rule. Arkady N. Shevchenko, a Soviet diplomat who defected and is now a U.S. citizen, has written that they "became increasingly concerned that social and economic stagnation, complemented by the population's inertia, apathy and cynicism, would undermine the foundation of the Soviet system . . . and, along with it, their own


You know, Yuri, I'm not getting any younger,...and soon power must pass to the younger men of your generation.
I SAID, POWER MUST PASS TO THE YOUNGER MEN OF YOUR GENERATION!
MacNELLY Chicago Tribune

Reprinted by permission: Tribune Media Services positions and privileges. For the powerful, an urgent need to keep the regime viable dictated national renovation."

## Reform in the Soviet Union

Gorbachev's rise to the top, Shevchenko concludes, "was no accident." But even if Gorbachev was brought in as general secretary with a mandate from a significant portion of the Soviet political elite for reform, he still has to tread very carefully: alienating his chief constituencies could result in his removal from office.

There have been reform movements in the U.S.S.R. before. In 1921, V.I. Lenin introduced his New Economic Policy (NEP) in an attempt to win the support of the Soviet peasantry, which had suffered greatly during the civil war of 1917-21. NEP policies permitted some of the economy to be regulated by market mechanisms, although heavy industry remained under state control. But the NEP did not outlive Lenin; his successor Joseph Stalin abolished it by 1929 as part of his industrialization drive.

It was Stalin who created the present centralized Soviet economic system to help him direct all available resources into heavy industry as the first step of a crash modernization program. The plan worked: during the 1930s, while Western economies were mired in the Great Depression, Soviet gross national product (GNP) grew 8-9% a year and industrial production grew by nearly 15% annually. Economic growth continued at impressive rates well into the 1950s.

But Stalin's accomplishment was achieved through extreme measures and at tremendous cost. In order to extract as much production from Soviet agriculture as cheaply as possible to feed industrial workers, Stalin confiscated the farms and goods of the Soviet peasantry, forcing them onto collective farms between 1929 and 1931. When the wealthy peasants, or kulaks, resisted, Stalin announced that they were to be "liquidated as a class" and their property expropriated. Millions lost their lives during collectivization and the 1931-32 famine that it led to.

Stalin also cemented his political power by unleashing his secret police to sow fear, insecurity and suspicion among the Soviet populace and ruling class. During the 1930s, Stalin rid himself of real and imagined political enemies in the "great purge," which resulted in tens of thousands of deaths—some estimate many times that number.

Nikita S. Khrushchev led the Soviet Union first as one of three top leaders after Stalin's death in 1953 and then alone from 1957 to 1964. His main and lasting achievement was to eliminate the use of terror as a political instrument. He also ended the Soviet Union's extreme isolation in the world and lifted many of the stifling restrictions on the arts that Stalin had imposed. Khrushchev's brief cultural "thaw" included publication of books like Alexander Solzhenitsyn's novel of life in a Stalinist labor camp, *One Day in the Life of Ivan Denisovich*. Khrushchev was ousted largely because some of his later ideas on organizational reforms threatened to undercut the position of a large portion of the party bureaucracy.

***Khrushchev (center) visiting the Iowa farm of Russell Garst (r.) on a 1959 tour of the U.S. At left is then U.S. Ambassador to the UN Henry Cabot Lodge.***

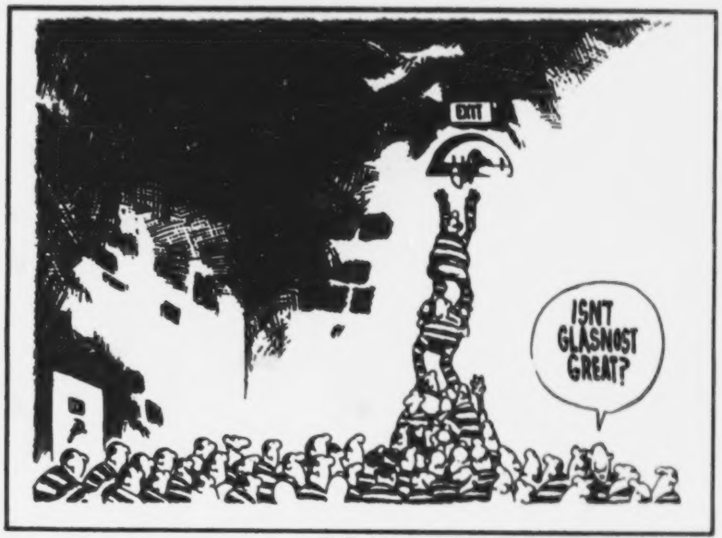
Brezhnev, who succeeded Khrushchev, restored the stability and predictability that the Khrushchev years had upset. Central party bureaucrats gained both power and job security. Stability was also assured by a return of repression: an extensive secret police network was revived, although not the use of terror. Brezhnev's economic policies, which focused on investment in consumer goods, also provided stability through a sizable rise in the standard of living for Soviet citizens, especially the poorest. Some structural reforms aimed at checking the continued decline in economic growth were attempted during the early Brezhnev years, but they did not work well and were quickly abandoned.

Andropov, during his brief tenure, concentrated on a discipline campaign aimed at improving the productivity of Soviet managers and workers. Following the Chernenko interlude, this is where Gorbachev picked up upon taking office in March 1985.

## Gorbachev: power and limits

Gorbachev was born to a peasant family near Stavropol in 1931. Trained as a lawyer and as an agronomist, he is better educated than most of his predecessors and has enjoyed an unusually rapid political ascent.

Gorbachev's power derives from his position as the head of the Communist party, the source of all power in the U.S.S.R. The party controls the nation's economy and all aspects of daily life. As general secretary, Gorbachev heads the party bureaucracy and chairs the meetings of the Politburo, its chief decisionmaking body. He is also head of the Secretariat, the permanent staff for the Politburo, which gives him additional control over scheduling and the



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agenda for Politburo meetings. The general secretary also has considerable influence over appointments and dismissals in all the bureaucracies. His position therefore gives him a high degree of control over the entire process of making and implementing policy.

Gorbachev's first order of business was to replace as many ineffectual holdovers from the Brezhnev era as he could with people loyal to him. By mid-1987, 40% of the Central Committee's 307 seats had changed hands. He also expanded the 11-member Politburo by adding three supporters and installed several more as nonvoting members. Most Western experts think that his political position today is fairly strong. But Gorbachev is out to make radical changes, a potentially risky course because it involves upsetting vested interests. Change can also get out of hand, producing unintended results. For these reasons, experts are divided as to how long they think Gorbachev can last.

### The new buzzwords

By the end of Gorbachev's second year in office, Westerners and Soviets alike had heard a lot about *glasnost*, meaning "openness" or "public airing." In today's press, Soviet citizens can read about their country's problems as well as criticisms of high—though not top-level—Communist party officials. Books, films and plays banned for years have been released, and internationally reknowned human rights activists like Anatoly Scharansky have been permitted to emigrate to Israel and elsewhere.

The significance of these moves is the subject of considerable debate in the West. Figures compiled by Helsinki Watch reveal that some 200 out of 500 known political prisoners have been released since January 1987. Although Jewish emigration figures are up significantly (over 5,000 for the first three quarters of 1987), they are still well below the 1979 peak of 51,000. Press attacks on public officials have, with one or two exceptions, not extended to the Soviet secret police, the KGB. And court procedures for those convicted of political crimes have not been reformed, although new legislation is reportedly under consideration.

Is glasnost, then, designed primarily for Western consumption? Many believe so; one former Soviet journalist, for example, argues that the U.S.S.R. today is like a giant gate, cracked open just far enough for those outside it to see what the Soviet leaders want them to.

Others see glasnost as a shrewd political tactic calculated to get the Soviet intelligentsia to help Gorbachev expose the weaknesses in Soviet society to the public, and to generate support for reform. A *New York Times* editorial described it as a "club handed by Mr. Gorbachev to Russian intellectuals to beat economic inefficiency out of the bureaucracy." One U.S. government expert suggests that glasnost may encourage a broader debate on the system, which will then give Gorbachev a wider menu of acceptable options to choose from as he seeks to reform it. What it is not, most Western experts emphasize, is any indication that Gorbachev is moving toward a Western concept of openness or democracy.

## The Soviet Economy

GORBACHEV has emphasized repeatedly that reviving the economy is his top priority. He set the tone for his program at the 27th Communist party congress in late February 1986 with a speech that was highly critical of the system. Gorbachev spoke of the damaging "inertia and rigidity of the forms and methods of administration, the decline of dynamism in our work, and the growth of bureaucracy." He criticized his predecessors' tendency to try "to improve things without changing anything," and he promised that Soviet industrial output and GNP would double by the end of the century.

Accomplishing this will require the Soviet economy to expand at twice its current annual rate—no mean feat for an economy best described by the old joke, "they pretend to pay us and we pretend to work." Soviet economic growth has fallen each decade since the 1950s, crawling along at 2-3% a year—a rate lower than any industrialized country other than Britain.

There is nothing disgraceful about a 2-3% economic growth rate—unless you are a Marxist-Leninist. Marx predicted that communism, lacking the injustices and inequalities present in a system based on private property, would solve economic problems better than capitalism could. It has been the goal of every Soviet leader since Lenin to overtake and surpass the economies of the leading capitalist nations. Economic expert Joseph Berliner compares Gorbachev's problem to that of an American mayor whose city can claim the best baseball player—in the minor leagues. With less output per person than capitalist countries, the Soviet Union will not be able to move into the major leagues unless it can raise its low rate of growth.

Doing so, Western economists agree, will be extraordinarily difficult. The Soviet economy is owned by the state, planned by the Communist party leadership and managed through a huge, unwieldy bureaucracy. The central planning agency, Gosplan, passes party directives on to scores of different economic ministries, who tell the 37,000 or so local enterprises what and how much to produce. Economic plans are rigid, with quotas set equal to or higher than the target for the previous year, and managers are rewarded for making their quotas on time. There are few incentives for attention to quality, which might make a manager miss his production deadline and therefore his bonus. Quality is also not reflected in a product's price. Because of the lack of a rational price system, there are also few incentives to keep down the costs of materials or to use them efficiently. *The Economist* magazine noted in 1985 that the U.S.S.R. uses roughly two to four times the amount of coal and steel that Western countries do to produce an equivalent amount of revenue from finished goods.

In spite of the fact that it employs more than a quarter of the population (compared with about 3% in the U.S.), Soviet agriculture is so inefficient that Moscow must rely heavily on grain imports. (Approximately 20% of the annual Soviet harvest is left to rot in the fields because of inadequate storage and transportation facilities.) Roughly one third of total annual Soviet investments in the economy go to agriculture, much of it in the form of subsidies, which keep food prices artificially low. With demand for cheap foodstuffs consistently higher than the supply, chronic shortages occur. Corruption thrives in this environment, as people who can provide goods or services that are in short supply are eager for the cash they can earn by doing so.

***Women selling potatoes grown on private plots***

The one sector of the economy that does not suffer from these chronic problems is defense. The military has always had first claim on the country's best brains and resources, and the interminable delays that characterize most economic activity are usually absent in defense projects. Pay is higher and benefits are better. The military also uses resources more lavishly than other sectors of the economy and has higher standards for quality control.

Brezhnev built up the military through a steady 4% annual growth in defense expenditures from the mid-1960s to the mid-1970s. As a result, the Soviet Union emerged as a military superpower, on a par with its major adversary, the U.S. The dichotomy between the Soviet Union's military strength and the weakness of the rest of its economy is what Sovietologist Seweryn Bialer refers to as "the Soviet paradox": "internal decline coupled with awesome military power . . ."

## Gorbachev's agenda

"Acceleration of the socioeconomic development of the country is the key to all our problems," Gorbachev told the delegates to the 27th party congress in early 1986. Over the next year and a half he hammered out the specifics of a program that he hopes will not only increase the efficiency of the existing system, but actually equip the economy better for greater scientific and technological progress.

During his first two years as general secretary, Gorbachev attacked laziness and inefficiency and waged a harsh law-and-order campaign aimed at increasing discipline and productivity in the workplace. Penalties for absenteeism and drinking on the job were stiffened. Gorbachev also made it illegal to buy vodka before 2:00 in the afternoon, raised its price and reduced its supply.

Gorbachev replaced scores of officials at all levels. Many local authorities, who had basically been allowed to operate as a law unto themselves during the Brezhnev years, have been made accountable to the central authorities.

## 'To each according to his work'

Although he talked a great deal about the need for *perestroika* (restructuring) and *demokratizatsiya* (democratization) as well as glasnost, Gorbachev did not lay out specific steps for overhauling the creaky Soviet economic machinery until early in his third year in office. At that point, even those most skeptical about Gorbachev's intention to implement truly radical reforms were impressed by the far-reaching nature of the proposals he presented at a plenary meeting of the Central Committee in June 1987.

The new Law on the Socialist Enterprise has made profitability, rather than plan fulfillment, the main criterion of economic performance. As of January 1988, employees of the Soviet Union's 37,000 largest enterprises will not be eligible for raises or bonuses if their plants do not show a profit. The law will apply to all Soviet enterprises by 1991. Such a policy means that a higher degree of income disparity will have to be tolerated. This poses some interesting questions for a socialist society, where such inequalities are not supposed to exist. But Gorbachev and his economic advisers seem to have recognized that greater income differentials are necessary if individuals are to have an incentive to work harder. "Work, and work alone, should be the criterion for determining a person's value, his social prestige and his material status," Gorbachev said in February 1987. "Some will come off badly—the slacker, the drunkard, the slovenly. Let them not take offense—they are getting what they deserve."

The law also gives individual enterprises more autonomy. Farm and factory managers will no longer be able to count on receiving funds from the government but will be expected to run their operations with the revenues their activities bring in. Managers will also be able to decide for themselves how to spend some of their profits—whether to reinvest in plant and equipment or to raise salaries, for example. By 1991, Gorbachev wants all central planning agencies out of the day-to-day management of individual enterprises altogether.

Gorbachev also won ratification for part of his plan to have local managers elected, rather than appointed, possibly on the theory that popular managers can get more out of their workers. The state quality control system has also been overhauled. Since early 1987, quality inspectors have been employed by an independent state agency instead of by the factories they are charged with inspecting as was formerly the case. The new system has met considerable resistance, not only from plant managers whose authority is imperiled by the new plan but also from workers whose bonuses have been reduced because of the poor quality of their output.

Consideration is also being given to forcing plants that consistently lose money into bankruptcy. Such a policy would mean that significant unemployment will become a possibility for the first time since 1931, when it was officially declared nonexistent in the Soviet Union. Gorbachev has recommended the creation of retraining programs for workers whose factories are closed.

Unemployment will become an even touchier issue if Gorbachev overhauls the price system by making prices more accurately reflect costs. In most cases this would result in prices rising as state subsidies are cut back. Gorbachev did not try to get this move ratified at the recent plenum, possibly because he lacked adequate political support in the Central Committee.

Gorbachev is also encouraging the private sector of the economy, which until now has flourished outside the law. Today it is no longer illegal for a Soviet citizen to run a taxi service with his car during his off hours. He may not, however, quit his state job to drive his cab full time, so it is hard to tell how much additional individual enterprise will take place. Taxes are also a question: will people who ran their own businesses off the books before now register them legally if it means their income will be heavily taxed?

## Trade and the economy

Soviet exports beyond Eastern Europe are very weak, consisting largely of raw materials, especially oil and gas. The fall in oil prices in recent years has hurt Soviet hard-currency earnings. To remedy this situation, Gorbachev has removed some of the many administrative blocks to foreign trade. Soviet firms can now arrange deals directly with companies outside the country instead of having to go through state organizations. Joint ventures—formerly a doctrinally unacceptable option—have also been legalized, making it possible for foreigners to own up to 49% of a Soviet enterprise. Moscow hopes that such ventures will open new markets for the goods they produce, as well as provide greater access to Western expertise and technology.

Gorbachev's discipline campaign and administrative reshuffling produced noticeable effects almost immediately, and economic indicators improved after his first year in office. But will the program be enough to double the Soviet GNP and standard of living by the end of the century?

Unlike Stalin, Gorbachev does not have the option of increasing output by pouring increasing quantities of people and resources into priority sectors of the economy, a strategy known as "extensive" growth, because resources and manpower are no longer as cheap or readily available as they were in Stalin's day. Even if they were, they could only help Gorbachev build more factories and more machines—not necessarily better machinery. What Gorbachev needs now is "intensive" growth, which requires technological innovation. At the 27th party congress, Gorbachev made this point when he said he was after "a new quality of growth: an all-out intensification of production on the basis of scientific-technical progress . . . ." He wants the Soviet Union to become competitive internationally even in high-technology fields like electronics and computers.

Outside of the military sector, however, the Soviets have not done well at technological innovation. High-technology fields change rapidly, which puts a premium on quick decisionmaking. "The more quickly technology moves," notes the American Soviet economic expert Marshall Goldman, "the harder it is for large bureaucratic units to keep up . . . ."

Another problem is that the Soviet leadership has always maintained tight control over access to information and communications. As one observer has noted, "a society that treats the telephone as a suspicious instrument, [and] classifies and locks up mimeograph and xerox machines . . . obviously handcuffs itself." A computer system works best if individual terminals are linked together by a reliable phone system, something the U.S.S.R. lacks. Moreover, any computer connected to a printer is a potential printing press, and private ownership of presses is prohibited. Although Gorbachev has called for computer literacy of the entire generation of young Soviets now in school, it will take some doing. As of early 1986, the best personal computer the Soviet Union had manufactured weighed 110 pounds and had one tenth the capacity of its 28-pound IBM equivalent.

There are some who dispute this assessment of Soviet computer technology. Seymour Goodman, management and information systems expert at the University of Arizona, says that despite failures the Soviets "are doing better than all but the U.S. and Japan. They are not in the dark ages." In addition, barred by the U.S. and other countries from importing computer technology legally, the Soviet Union has long engaged in a successful espionage effort to obtain the technologies it wants for its defense and other industries.

A more pervasive obstacle to innovation has been what *New York Times* economic columnist Leonard Silk calls the "gridlock dilemma." Where is the incentive for a Soviet worker to produce more and better goods in order to make more money, until there are quality goods on which to spend that money? And how can Gorbachev provide those high-quality goods unless he solves this problem first?

### Prospects

"We intend to make socialism stronger, not replace it with another system," Gorbachev reminded an audience in July 1987. But many Western economists believe that the contradictions inherent in trying to impose market-style reforms on a centrally planned economy will ultimately doom Gorbachev's efforts. "The Soviet economy needs its inefficiencies to remain Soviet," in Silk's words; making it work better would require weakening party control over the economy, which is not a viable option. Some think Gorbachev may already have gone further than is politically safe.

Liberalization can cause tremors both outside and inside Soviet borders. Khrushchev's "secret speech" denouncing Stalin at the 20th party congress in 1956 produced a wave of unrest in Eastern Europe that necessitated Soviet military intervention in Hungary. When the Khrushchev regime raised meat, milk and butter prices in 1962, there was rioting in the city of Novocherkassk. Gorbachev will also have to keep his eye on the 130 nationalities and ethnic groups within Soviet borders, which are already proving difficult to rule. Whether economic decentralization will make it more difficult to maintain control of a country as geographically large and ethnically diverse as the Soviet Union remains to be seen. How will Soviet citizens adjust to the changes Gorbachev is implementing? Used to taking orders, can they be educated to become independent-minded, aggressive managers? *Washington Post* editor Robert G. Kaiser doubts whether Gorbachev can keep criticizing Soviet society for long unless visible improvements appear quickly. Otherwise, he says, "In a few years, Gorbachev could face an unhappy choice between resorting to the old Big Lie, bragging how well things are going in the face of blatantly contradictory evidence, or acknowledging that the system itself is to blame . . . for the country's persistent shortcomings."

The changes Gorbachev is instituting are more radical than many Western scholars expected him to attempt, and most expect to see some improvements in Soviet economic health. The consensus so far, however, is that because of the political dangers inherent in radical reforms, Gorbachev will stick to changes of a limited nature. Their impact will therefore be limited as well.

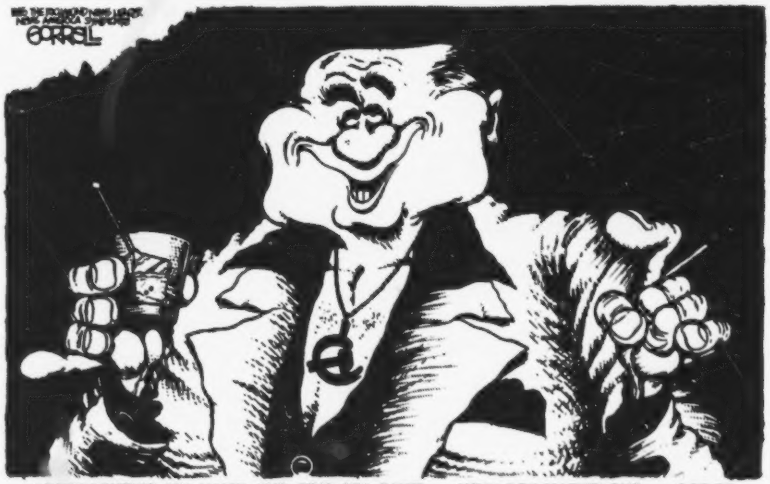
# The Soviet Union and the World

"BEFORE my people, before you and before the world, I state with full responsibility that our international policy is more than ever determined by domestic policy, by our interest in concentrating on constructive endeavors to improve our country. This is why we need lasting peace, predictability and constructiveness in international relations."

In contrast to the bluster and threats of his predecessors, Gorbachev has launched a "charm offensive." Is Gorbachev's foreign policy qualitatively different from that of his predecessors, or is it just the public-relations skills of the new leaders in the Kremlin that have improved?

Most Soviet scholars agree that neither Gorbachev nor his successors are likely to abandon certain constants. These include a belief in the inherent superiority of Marxist-Leninist ideology, the need to preserve the Soviet Union's superpower status, and maintenance of Soviet control of Eastern Europe.

At the same time Soviet foreign policy has changed noticeably in both style and substance. Gorbachev's public pronouncements show greater appreciation of international realities than those of his predecessors. The Soviet Union has abandoned the belief that socialism is about to become a worldwide



"GORBACHEV'S MY NAME AND PR'S MY GAME. . . . YOU LOOK MARVELOUS. . . . GOT TO RUN NETWORK WEST EUROPE. . . . A FREEZE WOULD BE COOL. . . . LET'S DO GENEVA. . . . WE'LL BURY YOU. . . . JUST KIDDING. . . . CIAO!

By Bob Gorrell, *The Richmond News Leader*
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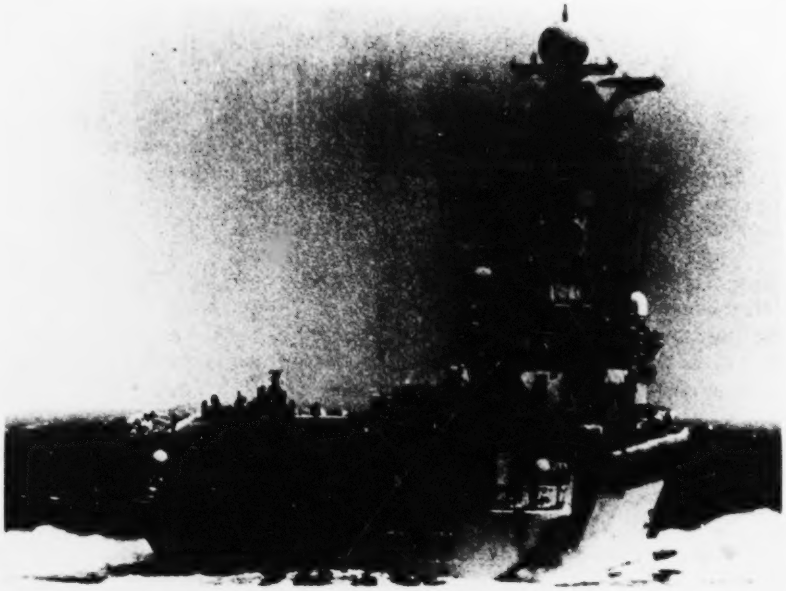
phenomenon. It no longer believes that Third World nations will automatically become allies of communism and enemies of capitalism. And it no longer thinks, as Brezhnev still professed to do in his report to the 26th party congress in 1981, that the international "correlation of forces" is shifting against the capitalist world.

### 'New political thinking'

The Soviet diplomatic style has changed markedly, too. This many observers credit in part to the influence of longtime ambassador to Washington Anatoly F. Dobrynin, now head of the Central Committee's International Department and one of Gorbachev's chief foreign policy advisers. Today's envoys from Moscow are better informed, less dogmatic, more flexible and more sophisticated in their dealings with Western officials and the press. Gorbachev has asked that the U.S.S.R. be considered for membership in the General Agreement on Tariffs and Trade (GATT), once denounced as "an imperialist conspiracy." He has made new diplomatic approaches to China, Japan, Israel, conservative Arab states and a wider variety of Third World countries than Moscow has dealt with in the past. He has also supported a strengthening of the role of the United Nations and backed up his rhetoric by paying the $225 million debt owed to the UN since the early 1960s.

Robert Legvold, director of the Harriman Institute for Advanced Study of the Soviet Union at Columbia University, believes these actions reflect a new and sophisticated Soviet view of national security in the modern world. Under Brezhnev, Moscow considered military power its most important foreign policy instrument. By intervening with its troops and supplying Third World allies with weapons, advice and cash, the Soviet Union saw its influence expand on every continent.

Moscow has learned in the years since then that, in the words of an *Economist* editorial, "a lot of good money can be poured after bad down faraway drains," as Third World friends bought with arms and money during the 1970s have "refused to stay bought, or squandered the help given." By 1980, Moscow's Third World clients were costing somewhere between $36 and $45 billion annually.



***Soviet aircraft carrier Minsk off the coast of the Philippines***

Gorbachev's words and actions indicate that he believes military power has limitations as a diplomatic instrument in today's interdependent world. "Security," Gorbachev declared at the 27th party congress, "is increasingly a political function that can be accomplished only by political means." He is the first Soviet leader to talk about the relationship of national security to "mutual security": "Less security for the U.S. compared to the Soviet Union," he said, "would not be in our interest since it could lead to mistrust and produce instability." This is diametrically opposed to the traditional Marxist-Leninist view of international relations as a matter of *"kto-kogo,"* meaning "who will prevail over whom."

Gorbachev has by no means abandoned the military. Soviet defense spending has picked up slightly since Gorbachev took power, growing at roughly 3% in 1986 compared with 2% per year between 1975 and 1985. Aid to most Soviet allies has remained constant or increased. But, in the words of University of Michigan Soviet expert Matthew Evangelista, "Soviet support for national liberation movements has changed from promises of economic and military assistance to expressions of 'profound sympathy.'" Gorbachev is directing today's diplomatic overtures to large and economically important Third World nations like Mexico and Brazil—countries with whom it hopes to have a profitable diplomatic and economic relationship in the future.

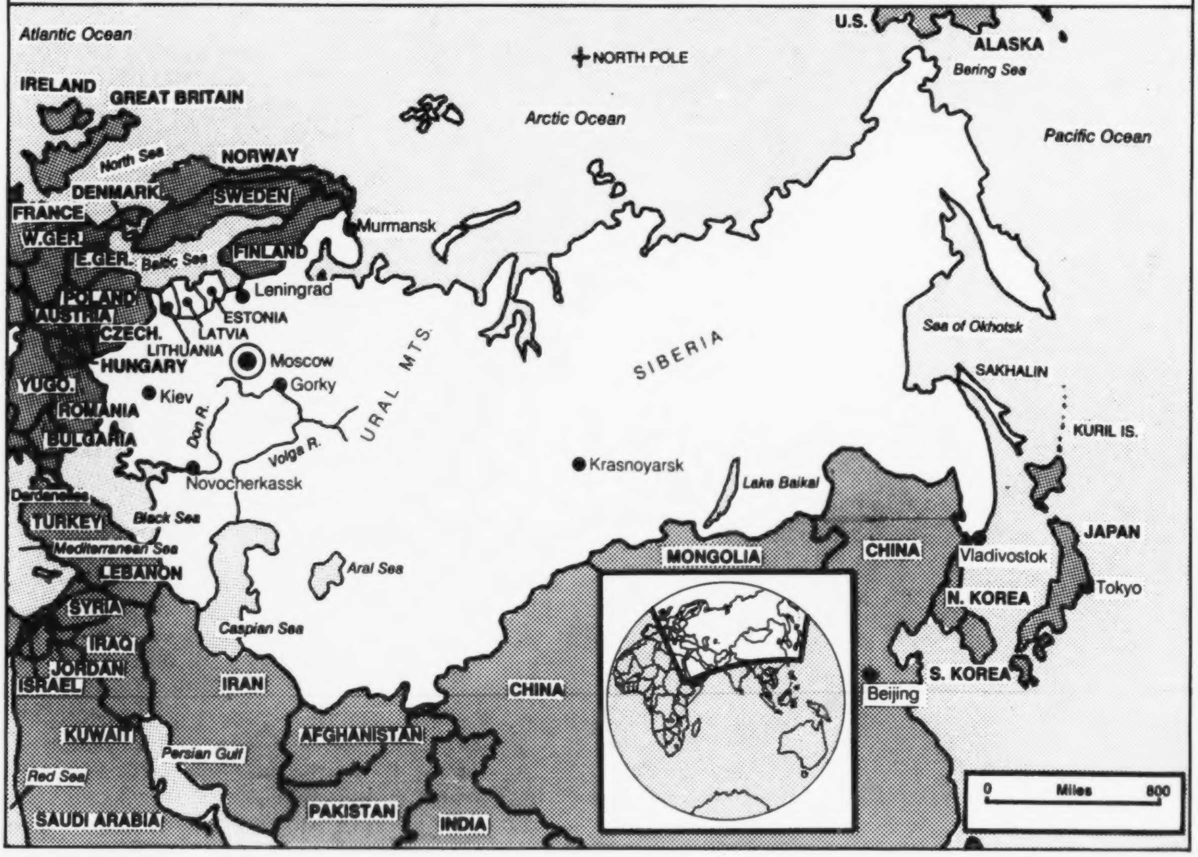
### Pacific overtures

East Asia has become a focus of Soviet attention since Gorbachev's Vladivostok speech of July 28, 1986, in which he reminded the world that "the Soviet Union is also an Asian and Pacific country." Gorbachev has built up Soviet forces in the Far East. In 1986-87, Moscow nearly doubled its aid to economically troubled Vietnam, where it has access to important naval facilities at Cam Ranh Bay (originally built by the U.S. during the Vietnam War). U.S. intelligence sources indicate that those facilities have quadrupled in size, although Moscow denies it even has a base there.

Gorbachev has also made a concerted attempt to improve relations with the People's Republic of China, with whom it has been at odds since the early 1960s. Beijing has identified three "obstacles" to normalization of relations with Moscow: the presence of Soviet ally Vietnam in Cambodia, a number of long-standing Soviet-Chinese border issues, and the Soviet occupation of Afghanistan. Although there has been little movement so far, there has been more conversation and trade between Beijing and Moscow than at any time since the early 1960s.

Moscow has also been paying increased diplomatic attention to Japan but has been rebuffed because it refuses to consider returning four Soviet-occupied islands over which Japan claims sovereignty. The new emphasis

Union of Soviet Socialist Republics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U.S.
ALASKA
Bering Sea
IRELAND
GREAT BRITAIN
Arctic Ocean
Pacific Ocean
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DENMARK
SWEDEN
FRANCE
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Murmansk
E.GER.
Baltic Sea
FINLAND
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of Soviet foreign policy on East Asia seems to reflect Gorbachev's determination that the U.S.S.R. not be left out of this dynamic region's economic growth.

## Probes and priorities

The U.S.S.R. has become more active in Middle East diplomacy since Gorbachev took power. Moscow has made overtures to Israel, with whom it broke relations in 1967, and has been permitting greater numbers of Russian Jews to emigrate. Moscow has also maintained its traditional friendship with Syria and remains its chief arms supplier. The Soviets have urged a resumption of the Arab-Israeli peace process in the form of an international conference at which it would be represented. They have also become diplomatically active in the Persian Gulf, especially in the wake of the scandal involving U.S. arms sales to Iran, and have offered to act as mediators between Iran and Iraq.

In Afghanistan, the war and Soviet occupation continue. Although no political settlement is yet in sight, Moscow has begun to demonstrate more flexibility as it seeks to close the "bleeding wound" the eight-year-old war has become.

Experts agree that Gorbachev's top foreign policy priority is stability in Eastern Europe. But Gorbachev would like to maintain Soviet hegemony in the region at less cost, and is encouraging Eastern Europe's leaders to be innovative in getting their countries onto firmer financial ground. On his trip to Czechoslovakia and Hungary in early 1987, Gorbachev barely veiled his criticism of the aging Czech leadership, much to the delight of the Czech public. One onlooker joked to a *Christian Science Monitor* reporter, "How do Czechoslovaks express dissent? We applaud Gorbachev." But observers warn that Gorbachev must proceed with caution: the unintended result of his liberalization could be an explosion in Eastern Europe, as happened in Hungary in 1956 and Czechoslovakia in 1968.

## Gorbachev and the West

Traditionally, Moscow's approach toward the Atlantic alliance has been to try to drive a wedge between Western Europe and the U.S. It has cajoled and threatened Western Europe in an effort to limit the military power facing the Soviet Union from the West, to gain European recognition of the postwar status quo in Eastern Europe, and to acquire access to Western Europe's technology and financial credits.

Gorbachev's objectives appear no different, although he has shifted tactics. He has dropped threats—especially toward West Germany—in favor of charm, telling West Europeans in a 1986 speech in East Berlin: "Do not believe allegations about the aggressiveness of the Soviet Union. Our country will never, under any circumstances, begin armed operations against Western Europe unless we or our allies become targets of a NATO attack! I repeat, never!" Gorbachev has also approved—and probably encouraged—

*Gorbachev and Reagan at Reykjavik, Iceland, October 1986.*

the recent increased diplomatic contact between East and West Germany. (See Topic 8.)

Gorbachev's approach has paid off at least in terms of an improved Soviet image in Western Europe. Several polls conducted during 1987 indicated that West Europeans, particularly in Britain and West Germany, see Moscow as more deserving of credit for progress in arms control than Washington.

## The U.S.S.R. and the U.S.

The enormous size, resources and military strength of the two superpowers, combined with their ideological differences, make each the other's most serious security threat and most significant competitor for influence throughout the world. Each of the U.S.S.R.'s leaders has left his mark on the relationship. Stalin built the Iron Curtain and retreated into hostile isolation behind it. Khrushchev became active in world affairs, involving the Soviet Union in Third World political struggles and bringing the superpowers to the brink of nuclear war over Berlin and Cuba. Brezhnev transformed the country into a nuclear superpower and worked with the U.S. to forge détente from the competitive relationship. Détente foundered on the divergent views of Washington and Moscow on the arms race, Soviet involvement in the Third World and Soviet human rights policy at home. From Washington's viewpoint, these remain the major stumbling blocks to better relations today.

Polemics between the superpowers were more strident during the first four years of Ronald Reagan's presidency than they had been since the Cuban missile crisis of 1962, as the U.S. engaged in a major military buildup and progress on arms control stalled. Since Gorbachev's accession and Reagan's reelection, the atmosphere has improved. How has the new man at the helm in the Kremlin affected the relationship?

The most visible area so far is arms control. Although Western experts differ as to what his long-term motives are, most believe that Gorbachev sees more to be gained from arms control than just the propaganda points he has earned with Western Europe. Gorbachev has talked about the need for a "breathing space." Reaching an agreement with the U.S. on limiting nuclear weapons could permit him to spend more money on butter instead of guns—at least until his economic reforms have begun to pay off. Gorbachev may also be hoping to use arms control to hold back American military technology. The Soviet Union is especially concerned about the U.S. Strategic Defense Initiative (SDI), the program created to research and develop defenses against nuclear weapons. Without an agreement to restrain SDI, the Soviet Union would be forced into an all-out high-technology competition with the U.S. before Gorbachev's reform program has a chance to work.

The focus of future Soviet military research and development, a growing number of military analysts believe, will probably be on advanced *nonnuclear* weapons. This is not a sudden new development, they emphasize, but an evolution in military thinking that began in the mid-1960s. Former Soviet Chief of Staff Nikolai Ogarkov, who now heads the U.S.S.R.'s Western forces, has argued that "you do not have to be a military genius to see that stockpiling nuclear weapons is senseless. Now in contemporary conditions . . . there are weapons based on new physical principles which can achieve yields close to those of smaller nuclear weapons."

Some experts are convinced that Gorbachev's goal in the nuclear arms control negotiations is a breathing space now to ensure Soviet military superiority later. An editorial in the conservative *National Review* interprets Soviet objectives as "total Soviet superiority in biological and chemical weapons; overwhelming superiority in conventional forces; almost certainly, the decoupling of Europe from America . . . ." Many conservatives warn that the Soviets can afford to reduce the levels of nuclear arms because of their superiority in conventional weapons. It remains to be seen whether the Soviet concept of mutual security will lead them to reductions in nonnuclear weapons, especially in Europe.

So far, the Soviet Union and the U.S. have agreed "in principle" to eliminate intermediate-range nuclear weapons (known as INF, for intermediate nuclear forces). Both sides have also agreed to permit on-site inspections of military installations for the purpose of verifying compliance with the agreement. This represents a substantial change in the Soviet position. In September 1987, Moscow even permitted a U.S. congressional delegation to tour the Soviet radar installation at Krasnoyarsk in Siberia. The Reagan Administration claims Krasnoyarsk is a violation of the 1972 Antiballistic Missile Treaty because it is not on the Soviet Union's periphery. Although the visit did not completely end the violation debate, it was a propaganda coup for the Soviet Union.

The superpowers have also agreed to establish "nuclear risk reduction centers" and improve communications between the two capitals, and to begin talks on improving verification of current nuclear testing limits as a first step toward negotiating new limits.

There has also been progress in a number of other areas. Academic, cultural and people-to-people contacts have expanded under a new exchange agreement.

On the subject of bilateral trade, which the Soviet Union would like to see expanded, the picture has been mixed. American trade with the Soviet Union has never been large—the U.S. imported some $555 million in Soviet goods in 1986, and exported $1.2 billion. In early 1987, Soviet exports of untreated cotton fabric ("gray goods") to the U.S. increased so dramatically that they were restricted by legislation in July in response to an outcry by American textile firms. Some legal obstacles to the export of basic U.S. personal computers to the U.S.S.R. were lifted in September 1987, but not on state-of-the art technology. Overall, trade between the two countries is still restricted by the Jackson-Vanik and Stevenson amendments to the 1974 Trade Act, which impose high tariffs on Soviet exports and limit Export-Import Bank credits to finance Soviet purchases of U.S. goods because of restrictive Soviet policies on Jewish emigration. So far there has been no move to waive these provisions, despite critics' protests that they hamper the U.S. ability to compete.

## Looking ahead

If it is too early to judge whether Gorbachev can succeed in reforming the Soviet Union, it is not too early for outside observers to have begun wondering what it would mean for the U.S. if he did. Would a reformed Soviet Union be a greater or lesser threat to the U.S.? Would it be more or less prone to raise tensions? If, as they suspect, Gorbachev's reforms are aimed at making the Soviet Union a more assertive international actor, many conservatives see no reason why the U.S. should help or applaud his efforts. They believe that Washington should continue to criticize the Soviet policies it disapproves of and refrain from signing agreements that would help Moscow achieve its aims. A creaking, inefficient Soviet state is vastly preferable, from this point of view, to a rejuvenated and stronger—and still Communist—U.S.S.R.

Many liberals, on the other hand, think that Gorbachev should be encouraged, first because liberalization and democratization are intrinsically good for their own sake; and second, because in the words of French Kremlinologist Michel Tatu, "If a totalitarian system opens itself up even partially and chooses economic reforms, it tends to moderate its foreign policy. Domestic change needs a peaceful environment and is hardly compatible with militarism or expansionism."

The vast majority of analysts believe that Gorbachev is preoccupied with internal problems and that he does want at least a breathing space in foreign relations to get his domestic reforms off the ground. Many, including former U.S. Ambassador to Moscow Arthur Hartman, stress that outsiders can do little to affect Soviet policy: the decisions that need to be made are in Moscow, not Washington.

Others, including participants in a recent study on new Soviet thinking convened under the auspices of the Institute for East-West Security Studies, do not believe that "a purely reactive Western approach" to new Soviet policies is enough. But even those who favor a signficant warming in Soviet-American relations warn that the U.S. and other countries should remain conscious that the Soviet Union has no intention of giving up its active role in world affairs. The means it chooses to compete may or may not be different from those it has chosen in the past, but it will remain a competitor.

How should the U.S. deal with Moscow in the years ahead? Some options currently under discussion follow.

## U.S. policy options

✓ In economic relations with the Soviet Union, the U.S. should:

**1. Welcome Soviet efforts to become more a part of the world economy.** Washington should loosen barriers to the transfer of high technology, since Moscow is able to obtain much of what it seeks through purchase or theft or from other sources. It should consider repeal of the Jackson-Vanik and Stevenson amendments in return for Soviet improvements in the recognition of human rights. And, when the Soviet Union is able to meet the criteria for membership, the U.S. should approve Moscow's application to GATT. If Gorbachev succeeds in reforming the Soviet economy, the process may in the long run have a liberalizing effect on Soviet domestic politics and may make it a less dangerous player in the world, with an increasingly large stake in global stability. The U.S. should not try to prevent that happening.

**2. Seek to block Soviet efforts** to integrate the U.S.S.R.'s economy with the rest of the world's. Don't feed the bear: a more economically healthy and efficient Soviet Union is likely to be a more aggressive one. Making advanced technology more accessible will make it that much easier for Moscow to build a stronger military machine for the 21st century. Concluding trade agreements that provide needed commodities or hard currency under conditions favorable to Moscow likewise permits the Soviet Union to direct funds into the Soviet military.

✓ On security issues, the U.S. should:

**1. Take advantage of Gorbachev's eagerness for arms agreements to intensify talks on a range of arms issues, particularly on offensive nuclear and conventional forces.** Now is the time to explore the extent of Gorbachev's flexibility, to reach agreements that will benefit not only the Soviet Union but both the superpowers by increasing stability and predictability in the bilateral relationship.

**2. Resist signing arms control agreements, which will permit Gorbachev a breathing space to make the Soviet Union a stronger military power later.** If this is a moment of weakness for the Soviet economy, then it is in the U.S. interest to exploit that weakness, not give it time to recover and menace the West again when it is stronger.

* * *

Management of the U.S.-Soviet competition will be a central question for the next American President. How will Gorbachev's success or failure in reforming his country affect the U.S.? Can American actions affect Gorbachev's chances of success? What should U.S. objectives be, and are they better accomplished through a policy of compromise and accommodation or a by a confrontational approach?

**OPINION BALLOT on page 95**

# For Discussion

**1.** Do you think that if Gorbachev's economic reforms are carried out, the Soviet Union would be more or less dangerous to the U.S.? Can his economic reforms succeed without changes in the Soviet political system? What changes, if any, do you see?

**2.** How much of an impact do you think U.S. policies have on Soviet behavior? Do you think the U.S. has more influence on Soviet domestic policies or on Soviet foreign policy? Why?

**3.** Why do you think Gorbachev has been given a mandate to reform the Soviet system? What is your impression of his chances of political survival? What signs might Westerners look for to indicate whether his tenure is secure?

**4.** Why do you think the Soviet Union has been so determined to halt the U.S. Strategic Defense Initiative? How do you believe the Soviet Union will respond to a U.S. decision to continue with research and development of SDI? to terminate it?

**5.** What most shapes American perceptions of the Soviet Union? What would the Soviet Union have to do to change those perceptions?

**6.** Should the U.S. link its trade policies toward the U.S.S.R. to Soviet human rights policies? Should the U.S. waive the provisions of the Jackson-Vanik and Stevenson amendments? Under what circumstances?

**7.** To what do you attribute the U.S.S.R.'s heightened interest in arms control under Gorbachev? What sort of agreement, if any, would you like to see the superpowers reach next? How likely do you think it is that such an agreement will be signed? ratified by Congress?

**8.** Are the Soviets more likely to aim for a strategic arms control agreement with Reagan or his successor? Will Reagan or his successor have an easier time getting an agreement ratified?

# Suggested Readings

Colton, Timothy J., **The Dilemma of Reform in the Soviet Union.** New York, Council on Foreign Relations, 1986. 274 pp. $9.95 (paper). Canadian political scientist examines the process, history and prospects for reform in the Soviet Union.

English, Robert D., and Halperin, Jonathan J., **The Other Side: How Soviets and Americans Perceive Each Other.** Washington, D.C., Committee for National Security, 1987. 155 pp. $9.95 (paper). Examines U.S. and Soviet perceptions—accurate and inaccurate—of each other through their history, media, books and films. Includes Reader's Guide suggesting activities and resources for discussion groups.

Hyland, William G., "Reagan-Gorbachev III." **Foreign Affairs,** Fall 1987, pp. 7-21. Editor of **Foreign Affairs** concludes that the U.S. will have "to define, deal with and make some concessions to legitimate Soviet interests" if it is to "command the depth of public support necessary to sustain the policy."

Kaiser, Robert G., "The Soviet Pretense." **Foreign Affairs,** Winter 1986/87, pp. 237-51. **Washington Post** editor says Gorbachev's reforms must show results soon or Moscow may "revert to a deliberate policy of artificial cold war" to hide its shortcomings.

Larrabee, F. Stephen, and Lynch, Allen, "Gorbachev: The Road to Reykjavik." **Foreign Policy,** Winter 1986-87, pp. 3-28. Authors from the Institute for East-West Security Studies examine Gorbachev's new approach to arms control.

Mandelbaum, Michael, and Talbott, Strobe, **Reagan and Gorbachev.** New York, Vintage Books for the Council on Foreign Relations, 1987. 190 pp. $5.95 (paper). Concise overview of recent U.S.-Soviet relations.

Reagan, Ronald, "A Forward Strategy for Peace and Freedom." **Department of State Bulletin**, October 1987, pp. 1-3. The President's August 26, 1987 address on the current state of U.S.-Soviet relations.

Simes, Dimitri K., "Gorbachev: A New Foreign Policy?" **Foreign Affairs** Vol. 65, No. 3, (**America and the World 1986**) pp. 477-500. Expert at the Carnegie Endowment for International Peace argues that Soviet long-range intentions are still to ensure its role as a dominant world power.

Tucker, Robert C., "Where Is the Soviet Union Headed? Gorbachev and the Fight for Reform." **World Policy Journal**, Spring 1987, pp. 179-206. Princeton University political scientist believes that the U.S. should cooperate with Gorbachev in seeking to make the U.S.-Soviet relationship less dangerous.

"What's Happening in Moscow?" **The National Interest,** Summer 1987, pp. 3-30. U.S. and West European analysts give their interpretations of the changes taking place in the Soviet Union.

*For further in-depth reading, write for the GREAT DECISIONS '88 Bibliography (See page 2).*

**ILLUSTRATION CREDITS:** p. 37, Ricki Rosen, The Picture Group, Inc.; p. 39, Wide World Photos; p. 41, Marcel Minnée; p. 44, U.S. Navy; p. 46, Terry Arthur, The White House.

# U.S. and the Middle East

## DANGEROUS DRIFT?

5

SINCE WORLD WAR II, U.S. policymakers have considered the Middle East, which holds two thirds of the world's known oil reserves, to be of vital importance to American interests. A number of times in recent years the U.S. took military action to protect these interests—in Lebanon, in Libya and, in 1987, in the Persian Gulf, where the seven-year war between Iran and Iraq threatened the tankers that carry oil to Japan, Europe and the U.S.

Keeping the international sea-lanes open and keeping the oil flowing at reasonable prices are only two of a number of U.S. objectives in that strategically located region. Others include preventing the Soviet Union from extending its influence, providing support for Israel and moderate Arab governments, and promoting trade.

Until recently the Reagan Administration was preoccupied with foreign policy concerns in other parts of the world and saw little hope of progress in resolving any of the Middle East's intractable problems. Foremost among these are the Iran-Iraq war; the absence of peace between Israel and its Arab neighbors; the political future of 4.5 million Palestinians, scattered in refugee camps or living in exile; a continuing civil war in Lebanon; and recurrent acts of terrorism.

What is the current status of U.S. interests in the region? How will events now unfolding there affect them? In order to answer those questions it is necessary to trace the changes that have taken place in the Middle East over the past four decades and how different Administrations have responded.

### The region defined

There is no standard definition of the Middle East, a term that came into widespread use during World War II. The Middle East, as used here, consists of the countries from Libya to Afghanistan, inclusive.

These lands historically comprised Arab, Persian and Turkish cultural zones. Today they are divided into 14 Arab states (containing 50% of the region's population), two Persian-dominated states (Iran and Afghanistan), plus Turkey and Israel. Egypt, Iran and

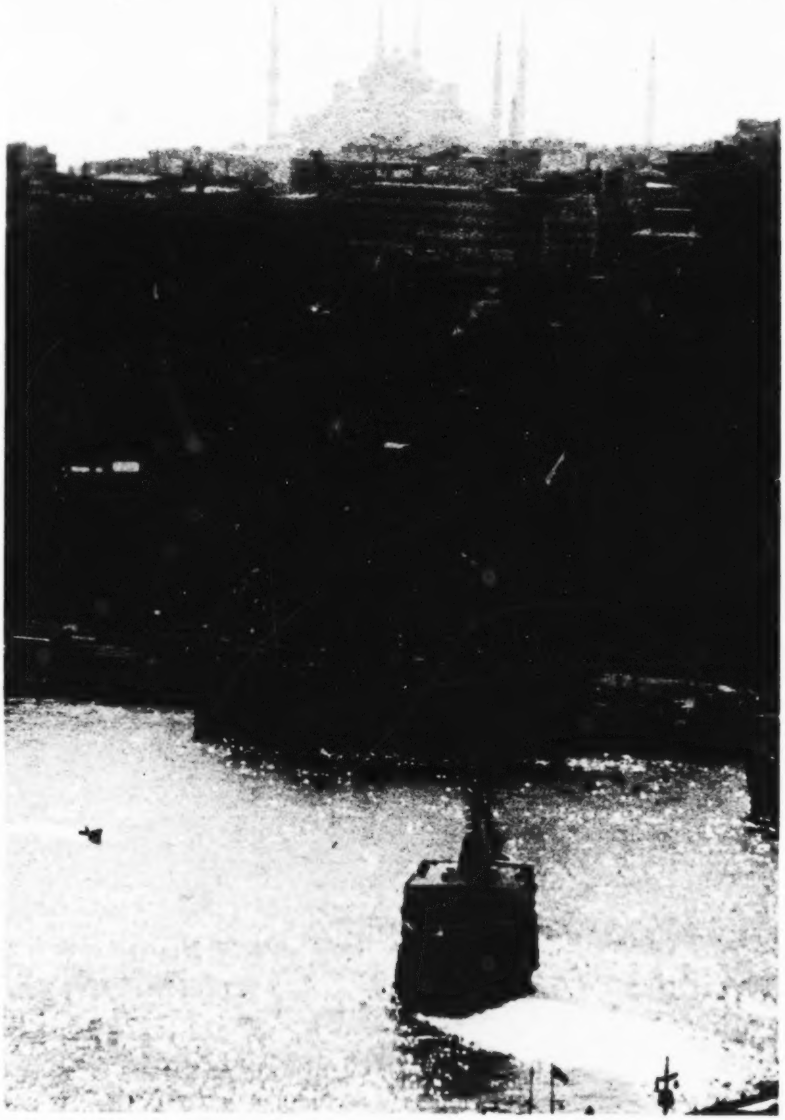


Photo by Lawrence Potter

***The mosque of Ottoman Sultan Süleyman the Magnificent dominates the city of Istanbul. The Ottomans ruled over much of the Islamic world until World War I.***

Turkey are the largest countries (see chart), the United Arab Emirates in the Persian Gulf is among the world's smallest.

Despite differences in size, language and economic development, important factors contribute to a sense of regional identity. The Middle East has long served as a cultural and commercial bridge between Europe and the Far East. Geographically, it is a region where aridity is widespread, agriculture is largely dependent upon irrigation, and pastoral nomadism was once widely practiced.

## Middle East Profile

| | Population (millions) 1950 | Population (millions) 1987 | Life expectancy | % Urban population | GNP per capita (U.S. dollars, 1985) | % Shiite population (estimated) |
|---|---|---|---|---|---|---|
| **Afghanistan** | **8.9** | **14.2** | **39** | **16** | **n.a.** | **20** |
| **Bahrain** | **0.1** | **0.4** | **67** | **81** | **9,560** | **70** |
| **Egypt** | **20.3** | **51.9** | **59** | **46** | **680** | **—** |
| **Iran** | **14.2** | **50.4** | **57** | **51** | **n.a.** | **92** |
| **Iraq** | **5.1** | **17.0** | **62** | **68** | **n.a.** | **60** |
| **Israel** | **1.2** | **5.9*** | **75** | **90** | **4,920** | **—** |
| **Jordan** | **1.2** | **2.8** | **67** | **60** | **1,560** | **—** |
| **Kuwait** | **0.2** | **1.9** | **72** | **80** | **14,270** | **24** |
| **Lebanon** | **1.4** | **3.3** | **65** | **80** | **n.a.** | **55** |
| **Libya** | **1.0** | **3.8** | **61** | **76** | **7,500** | **—** |
| **Oman** | **0.4** | **1.3** | **52** | **9** | **7,080** | **4** |
| **Qatar** | **0.02** | **0.3** | **69** | **86** | **15,980** | **16** |
| **Saudi Arabia** | **3.2** | **14.8** | **63** | **72** | **8,860** | **8** |
| **Syria** | **3.5** | **11.3** | **63** | **49** | **1,630** | **17** |
| **Turkey** | **20.8** | **51.4** | **62** | **46** | **1,130** | **15** |
| **United Arab Emirates** | **0.7** | **1.4** | **68** | **81** | **19,120** | **18** |
| **Yemen, North** | **3.3** | **6.5** | **47** | **15** | **520** | **43** |
| **Yemen, South** | **1.0** | **2.4** | **48** | **40** | **540** | **8** |
| **Total:** | **86.5** | **241.0** | | | | |

n.a.: not available
*Includes Occupied Territories

Sources: Population Reference Bureau; United Nations; *The Economist; Middle East Insight.*

It is the birthplace of three major religions, Judaism, Christianity and Islam. Today, Islam, practiced by over 90% of the region's people, provides a common cultural link. The Islamic system of law, or *shari'a*, is still a powerful influence, although how this law should be implemented today is hotly debated. The majority of Islam's followers, or Muslims, belong to the Sunni branch; the other major branch, the Shiite, has many adherents in Iran, Iraq and Lebanon.

### Demographic transformation

Profound changes have taken place in the Middle East over the past four decades. The most noticeable is demographic: in 1950 the population was around 87 million; today it is about 241 million. After World War II the Middle East was still largely a rural society, with only about a quarter of the people living in cities. Near-starvation, pestilence, high death rates and economic exploitation were not unusual. The average money income was only $20-$30 a year. "There is no standard of living in the European sense—mere existence is accepted as the standard," according to a 1948 survey.

Today, in most countries one half to two thirds of the people live in or near cities—drawn there by the prospect of jobs. After the war, Cairo had over 2 million inhabitants, Tehran less than 1 million. Today, greater Cairo is estimated to contain some 13 million, Tehran, 7 million to 10 million.

### Spread of modernization

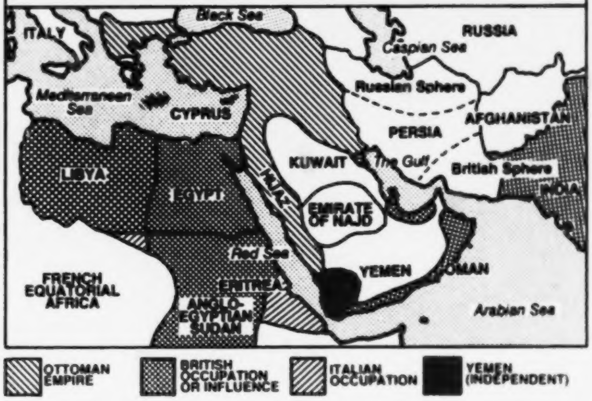
Modernization, which has been defined as the process by which man increasingly gains control over his environment, took centuries in the West but is being compressed into decades in the Middle East. The exploitation of the region's petroleum reserves after World War II provided the revenues that quickly propelled traditional societies into the modern world.

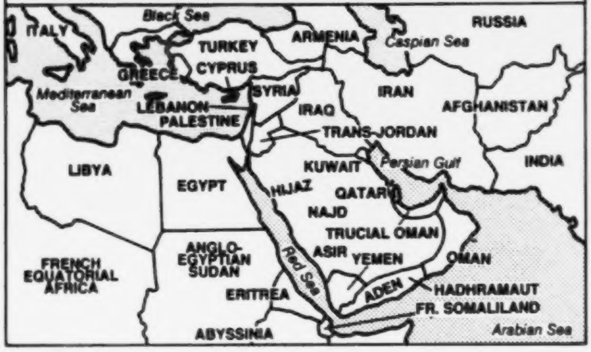
The process changed the social and psychological climate as well as the physical appearance of the Middle East. The construction of new buildings and transportation networks altered the look of many traditional cities. Newspapers, and later radio and television, brought villagers into contact with the life of their country's capital as well as the wider world. Governments promoted the spread of secular education, which now reached many more people.

But modernization is a disruptive process that raises expectations, which, if unmet, lead to social upheaval. It placed authoritarian political systems under unprecedented strain as new governments had to establish their fitness or legitimacy to rule. In traditional Islamic society, legitimacy was bestowed by the clerical class or *ulama*. In the new states, the military who typically took control could not claim religious sanction for rule. They claimed instead to represent the will of the people and often staged elections to prove it. The leaders who guided their countries to independence often regarded religion as an impediment to modernization and promoted secular nationalism instead. People who were used to autocratic leadership began to expect more from their government and even desired a say in it.

### Problems of national integration

Many Middle Eastern countries once formed part of the Ottoman Empire. From their capital in Istanbul the Ottomans for five centuries governed much of North Africa, southeastern Europe and the Arab countries of the Fertile


The Middle East Before World War I
Black Sea
ITALY
RUSSIA
Caspian Sea
Mediterranean Sea
CYPRUS
Russian Sphere
AFGHANISTAN
PERSIA
LIBYA
EGYPT
HIJAZ
KUWAIT
The Gulf
British Sphere
INDIA
EMIRATE OF NAJD
Red Sea
YEMEN
OMAN
FRENCH EQUATORIAL AFRICA
ERITREA
ANGLO-EGYPTIAN SUDAN
Arabian Sea
▨ OTTOMAN EMPIRE
▩ BRITISH OCCUPATION OR INFLUENCE
▨ ITALIAN OCCUPATION
■ YEMEN (INDEPENDENT)


The Middle East Between the Wars
Black Sea
ITALY
TURKEY
ARMENIA
Caspian Sea
RUSSIA
GREECE
CYPRUS
SYRIA
Mediterranean Sea
LEBANON
PALESTINE
IRAQ
IRAN
AFGHANISTAN
TRANS-JORDAN
LIBYA
EGYPT
KUWAIT
Persian Gulf
INDIA
HIJAZ
QATAR
NAJD
TRUCIAL OMAN
FRENCH EQUATORIAL AFRICA
ANGLO-EGYPTIAN SUDAN
ASIR
YEMEN
OMAN
Red Sea
ADEN
HADHRAMAUT
ERITREA
FR. SOMALILAND
ABYSSINIA
Arabian Sea

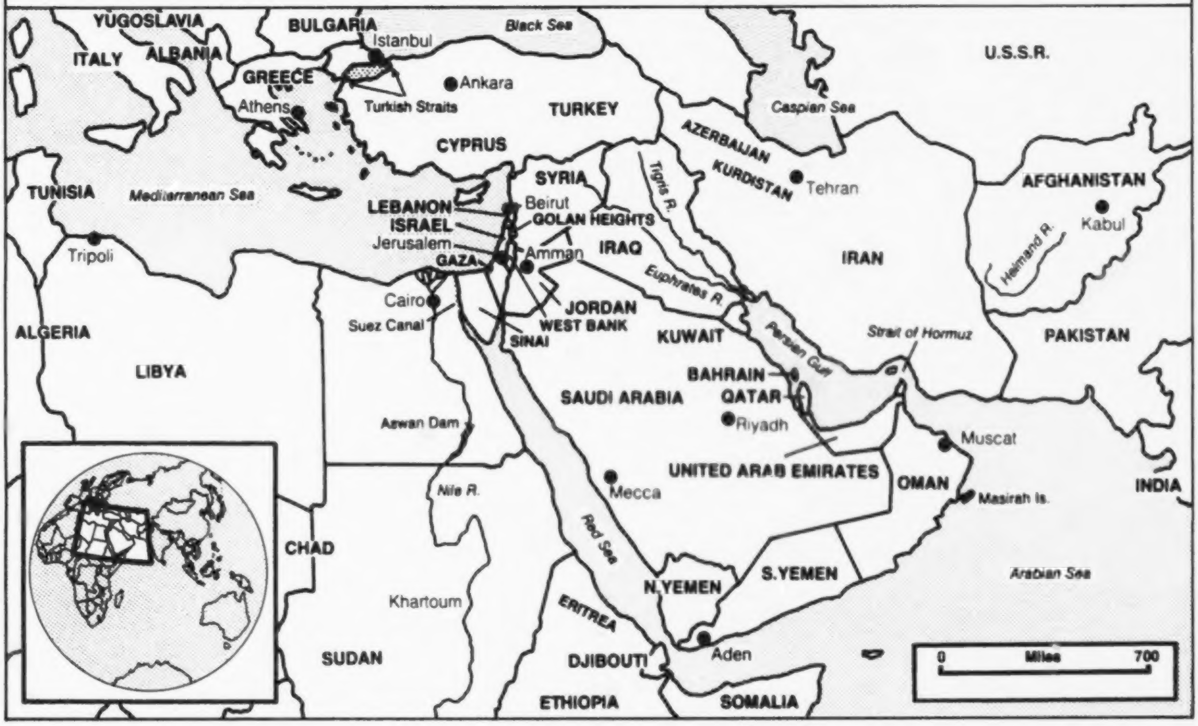
Crescent stretching from the Nile to the Euphrates. After World War I, European powers carved up the empire into a number of sovereign states, some of which, like Lebanon, Iraq and Jordan, had no historical basis. Consequently, many new states found it difficult to forge a sense of national identity. Middle Easterners found themselves arbitrarily joined with members of different religious, tribal, linguistic and ethnic groups. In addition, national groups such as the Palestinians and Armenians, and tribal groups, such as the Kurds and Baluchis, lived in more than one state. Some never developed an allegiance to any government.

While the forced assimilation of minorities helped create national identities, it also made people more aware of their ethnic, religious, tribal and linguistic differences, which led, decades later, to divisive tensions.

## Political evolution

The period between World Wars I and II was the high point of European influence. The British, in Egypt, Palestine, Transjordan and Iraq, and the French, in North Africa, Syria and Lebanon, exercised hegemony over much of the region. Italy dominated Libya. Of the major countries, only Persia (renamed Iran in 1935) and Turkey retained their independence.

After World War II Britain and France needed to devote their resources to rebuilding their own countries. They also faced growing Arab nationalism in their Middle Eastern colonies. Because of these factors they decided to withdraw from the region. Before doing so, they


The Middle East Today
YUGOSLAVIA
BULGARIA
Black Sea
ITALY
ALBANIA
Istanbul
U.S.S.R.
GREECE
Ankara
Athens
Turkish Straits
TURKEY
Caspian Sea
CYPRUS
AZERBAIJAN
KURDISTAN
Tehran
Tigris R.
SYRIA
TUNISIA
Mediterranean Sea
LEBANON
Beirut
AFGHANISTAN
ISRAEL
GOLAN HEIGHTS
Kabul
Jerusalem
Amman
IRAQ
Tripoli
GAZA
IRAN
Helmand R.
Euphrates R.
Cairo
JORDAN
Suez Canal
WEST BANK
ALGERIA
SINAI
KUWAIT
Strait of Hormuz
PAKISTAN
Persian Gulf
LIBYA
BAHRAIN
SAUDI ARABIA
QATAR
Riyadh
Aswan Dam
Muscat
UNITED ARAB EMIRATES
Mecca
OMAN
INDIA
Nile R.
Masirah Is.
CHAD
Red Sea
Arabian Sea
N.YEMEN
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ETHIOPIA
SOMALIA

tried to shape the newly independent governments in their own image, with constitutional monarchies in British territories and parliamentary republics in French ones.

Britain granted independence to Jordan in 1946 and withdrew from Palestine in 1948. This opened the way for the formation of the state of Israel. A bitter war followed between Israel and its Arab neighbors, and some 800,000 Palestinian refugees resettled elsewhere, primarily in Jordan and southern Lebanon.

Although nominally independent, Egypt remained under British influence until 1956 and Iraq until 1958. Kuwait achieved independence in 1961 and the small states of the Persian Gulf, in 1971. France declared Syria and Lebanon independent in 1941, although French military occupation continued until 1946. Libya has been independent since 1951.

Many of the newly independent states rejected the monarchical form of government that had long prevailed. King Farouk of Egypt once quipped that there would eventually be only five kings—the kings of hearts, spades, clubs, diamonds and England. The title of the autobiography of King Hussein of Jordan, written in 1962, tells it all: *Uneasy Lies the Head*.

Since the war six monarchies have fallen—those of Egypt (1952), Iraq (1958), North Yemen (1962), Libya (1969), Afghanistan (1973) and Iran (1979). Kings continue to rule in Saudi Arabia, Jordan and Oman. Four tiny Persian Gulf states, Bahrain, Kuwait, Qatar and the United Arab Emirates (UAE) are ruled by emirs and shaykhs. Israel and Turkey are the most democratic. The remaining countries have authoritarian secular leaders except for Iran, which is an Islamic Republic.

## The role of outside powers

The watershed for European imperialism in the Middle East was the Suez war of 1956. In retaliation for Egypt's nationalization of the Suez Canal, Britain and France, along with Israel, invaded Sinai. They were forced to withdraw under strong U.S. and Soviet pressure.

The Suez war won for Egypt's president, Gamal Abdel Nasser, a reputation as a great Arab hero, and he dominated the region until his death in 1970. He promoted pan-Arabism, a movement of political unification based on common ethnic identity rather than religious or national affiliation, and vied with Syria and Iraq for leadership of the Arab world. However, pan-Arabism faltered as unification efforts by regional countries failed. (A Syrian-Egyptian union lasted from 1958 to 1961.) The Syrians resented Egyptian domination and opposed Nasser's policy of nationalizing the economy. Subsequent attempts on the part of Libya's Muammar Qaddafi to form political unions with the Sudan, Tunisia, Morocco and Egypt were all short-lived.

***Many Palestinians, stuck in refugee camps, face a bleak future.***

## The Arab predicament

The June 1967 war, which Nasser provoked by preventing shipping from reaching the Israeli port of Eilat via the Gulf of Aqaba, resulted in a stunning Israeli victory and was a political turning point for the Middle East. Israel tripled the size of its territory by taking the West Bank and East Jerusalem from Jordan; Sinai and the Gaza Strip from Egypt; and the Golan Heights from Syria.

The Arabs lost more than territory in the war; they lost self-esteem. Claims by Arab governments that they were ready to confront Israel were no longer credible. Pan-Arabism never regained the appeal it previously had, and individual countries increasingly focused on their own problems and development.

The sense of frustration and despair that swept the Arab world after this war was particularly acute among the Palestinians. The Palestine Liberation Organization (PLO) had been founded by Arab leaders in 1964 to represent various Palestinian groups and press their grievances. In the early 1970s, under the leadership of a new chairman, Yasir Arafat, the PLO turned to terrorist attacks to publicize its cause. Since then, King Hussein and Arafat have competed for the allegiance of the Palestinian community.

## The oil weapon

To regain territory lost in 1967 and to break an increasingly intolerable diplomatic stalemate, Egypt and Syria launched a surprise attack on Israel in October 1973. While Israel prevailed militarily, the Arab armies performed creditably. Arabs throughout the region gained a renewed sense of confidence and power. The prestige of president Anwar al-Sadat of Egypt soared and this enabled him to sign a peace treaty with Israel in 1979. The treaty was bitterly resented by Palestinians and opposed by most of the Arab world.

In retaliation for its resupply of arms

to Israel during the 1973 war, Arab oil-producing states (but not Iran) placed a five-month embargo on oil exports to the U.S. (The Netherlands was similarly penalized for supporting Israel.) The Organization of Petroleum Exporting Countries (OPEC), which also includes non-Arab members, greatly raised oil prices. A barrel of oil, which cost Saudi Arabia pennies to produce, rose in price from $2 in 1971 to $35 by 1981.

The countries that benefited the most from the price rises were those with 80% of the reserves—Saudi Arabia, Kuwait, Iraq and Iran. They used their new revenues to hire large numbers of foreign workers and paid them well to build transportation networks, ports and manufacturing plants.

Many of these workers came from oil-poor countries such as Egypt, Turkey, the Sudan, the Yemens and Jordan, as well as the Indian subcontinent and Southeast Asia. From the early 1970s until the mid-1980s the amount of labor migration in the Arab world was unprecedented, and the expatriates' countries came to depend on their remittances. In 1986, about 3 million out of the Egyptian work force of 18 million worked abroad. The sight of people who had been poor peasants *(fellahin)* in rural Egypt returning from the Gulf laden with TVs and VCRs was not unusual.

Much of the new wealth was spent on military hardware. Between 1971 and 1980 the Middle East, with about 5% of the world's population, accounted for over half of the world's arms trade. Regional states spent $122 billion on imported arms, and the number of regular soldiers in uniform jumped from 1.3 million in 1973 to 2.1 million now.

The main beneficiaries of this militarization were Western arms companies and local middlemen. The huge expenditures led to vastly increased corruption, and complaints, such as in Iran, that revenues were being squandered on sophisticated armaments rather than, for example, agricultural development. Such complaints rose as economic conditions worsened and resources for development dried up in the 1980s.

## Islamic revival

Since about 1970 an Islamic revival has swept the region. People who felt Western concepts such as nationalism, socialism and capitalism had failed them turned to Islam as a native, authentic ideology. Islam had led them to greatness before, and they believed it could do so again. Pious Muslims criticized their rulers for conspicuous consumption and for not being religious enough. They demanded social justice, a more equitable share of the economic pie, and a voice in political decisions.

The West had previously associated Islam with a fatalistic mind-set that inhibited progress and led to economic backwardness. After religious fundamentalists had played a major role in overthrowing the shah of Iran in 1979 and a militant Islamic group had assassinated President Sadat of Egypt in 1981, Islam became associated in the Western public's mind with political militancy and violence. This was especially true of Shiite Muslims, with their historic association with martyrdom. Iran, under Ayatollah Ruhollah Khomeini, loomed as a menace to its Middle Eastern neighbors, especially those with large Shiite populations. They feared Iran would try to export its revolution.

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***Iran-Iraq war threatens Gulf stability***

Because there is no standard definition of Islam, and its practice varies in different countries, both governments and oppositions claim religious sanction for their programs. Political scientist James A. Bill uses the term "establishment Islam" to denote the conservative form of religion used by governments—such as Saudi Arabia, Morocco and Pakistan—to legitimate their rule. He contrasts it with "populist Islam" or the "Islam from below" that the lower classes have invoked to challenge rulers.

While religion is an important force today throughout the Islamic world, especially in Iran, Egypt, the Sudan and Tunisia, the Iranian revolution, its most dramatic manifestation, has not been repeated in other countries. Although many Muslims are proud that Islam helped overthrow an impious autocrat, they do not want to imitate the form of religious government imposed by Ayatollah Khomeini.

## Leadership today

Since the 1970s, the Middle East has had longer-lasting and more powerful governments than was the case in the coup-ridden 1950s and 1960s. King Hussein has been in power in Jordan since 1953; Saddam Hussein has been at the top level of the Iraqi government since 1968 and president since 1979; Qaddafi has ruled Libya since 1969; Hafez al-Assad has led Syria since 1970; Ayatollah Khomeini has dominated Iran since 1979; and President Hosni Mubarak has led Egypt since 1981.

Leaders have achieved a greater degree of control partly by coercion, partly by centralizing power. Aided by better communications, larger armed forces and huge bureaucracies, they can extend their reach throughout the country.

The rulers of the oil-rich states are also able to "buy off" potential opposition groups. In Bahrain the ruler, a Sunni, goes out of his way to accommodate his Shiite minority. The Saudis subsidize the PLO so they will not cause trouble in the kingdom.

## Quest for legitimacy

Among the Arab masses today, there is widespread apathy and disillusionment, according to Adeed Dawisha, professor of government at George Mason University. The old ideological goals of Arab unification, the liberation of Palestine, and the institution of Islamic government seem further away than ever. The Gulf war hangs like a shadow over the region, adding to Arab anxiety.

A major unresolved problem is the

lack of stable mechanisms for orderly succession of Middle Eastern governments. Military coups have been the most frequent catalyst of governmental change. (Israel is a major exception.) Lebanon, Kuwait and Egypt have experimented with limited democracy, but it has always been subject to cancellation. Governments typically rig elections to demonstrate popular support for their actions. The fact is that they distrust many of their people and rely on repressive security services to stay in power. Opposition groups must often operate underground or abroad.

Authoritarian regimes that do not have an accepted procedure for political succession or a forum for debating policy are likely to alienate their populations and engender violent opposition, according to North African specialist Lisa Anderson. Syria, Iraq and Iran are all good examples. On the other hand, regimes that tolerate some political opposition, such as Egypt and Turkey, may be able to accommodate the changes most urgently demanded by their peoples.

## Oil bust

Government spending drives the regional economies. With the decline in oil revenues due to increased worldwide production and lowered demand in the early 1980s, governments have had to trim expenditures. Saudi oil revenues for 1987 may amount to no more than $27 billion, down from $119 billion in 1981, and the Saudi economy has been in recession for several years. Saudi Arabia and Kuwait still have a "buffer" of savings accumulated during more prosperous times (in 1985, Kuwait earned as much from its investments in the West as from its oil). Other countries such as Bahrain, Qatar and Oman are more vulnerable. Rulers fear the upheaval that could accompany radical spending cutbacks. To help shore up their governments, Saudi Arabia has distributed largess to Syria, Jordan and Iraq. It is an open question, however, how long it can continue.

The current economic contraction may have unforeseen social consequences. Overseas workers who began returning home in 1986 face an uncertain future. Accustomed to receiving high pay, they are certain to constitute a disenchanted element in some countries, such as Egypt. In cities unemployed or underemployed workers place severe strains on social services and exacerbate housing shortages.

## Foreign relations

In the postwar period, no single outside power has dominated the Middle East and no regional power has exercised primacy for long. The Northern Tier countries adjoining the Soviet Union—Turkey, Iran, Afghanistan and Pakistan—have always been suspicious of Soviet designs on their territory. Consequently, with the exception of Afghanistan, in the postwar period they have had close defense ties with the U.S. The Arab world to the south, in contrast, has been ambivalent about its relations with both East and West.

In the 1950s and 1960s, Egypt was the most influential Arab state. Today, the Arab world does not have a comparable "center" and it is harder for states of the region to form effective political groupings. This has been especially true since the Egypt-Israel peace treaty in 1979 split the Arab world. The Iran-Iraq war, which began in 1980, led to further divisions, with Arab states such as Syria and Libya supporting non-Arab Iran.

Although religion is a powerful force today, it can be argued that national self-interest is even stronger. The Iran-Iraq war is a good illustration. Although sometimes portrayed as a religious crusade of Sunni against Shiite, the war is regarded by most observers as a struggle between Iranian and Iraqi nationalism.

The two major foreign policy concerns of regional states are the Gulf war and the "unfinished business" of the Arab-Israeli wars. The Arab nations in the Gulf are no match for Iran or Iraq and do not want to be dominated by either. So far they have supported Iraq out of fear of the Iranian revolution spreading.

On the second issue, there is an Arab consensus that Israel should withdraw from territories it seized in 1967, and that the Palestinians should be given a homeland. Beyond these principles, few can agree on details.

## Future trends

The Middle East has undergone momentous changes over the past four decades. Some current trends listed below bear watching.

- Population pressure will be a serious problem in many countries, especially Egypt. There are not enough jobs to go around today and this situation will likely worsen.

In Israel, the birthrate among Arabs is outstripping that of Jews. If Israel keeps the West Bank and Gaza, demographers predict that by the year 2000 Arabs will constitute almost half the population. Israelis will increasingly have to grapple with the question of whether they will live in a democratic or Jewish state.

- If there is no consensus in Israel on the future status of the West Bank, and if no Arab leader is willing to risk negotiating, a comprehensive peace settlement is not likely any time soon.
- The Persian Gulf region will continue to be of key importance for global petroleum production. By 1990, the Gulf states, including Iran and Iraq, could account for half of OPEC's output, and this could increase later in the decade. Oil-rich countries would then have a second chance for development. At the same time, due to the construction of pipelines by Iraq, Turkey, Saudi Arabia and Iran, much of this oil will be transported overland, not through the Strait of Hormuz. This should lead to lessened tension in the Gulf.
- The nuclear trends in the region are worrisome to the largely Western "nuclear club." Iran, Iraq and Libya may be seeking to develop a nuclear capability. Israel is assumed to already have nuclear bombs.
- It is possible that the wave of religiously inspired violence (though not adherence to religion) may have peaked. In Iran, a more moderate government, with clerics advising rather than running it, may eventually appear.
- The struggle over water resources may become increasingly bitter. Disagreement exists between Israel and Jordan over the waters of the Jordan River, between Israel and Lebanon over the Litani River, between Egypt and the Sudan over the Nile, between Iran and Afghanistan over the Helmand River, and among Iraq, Syria and Turkey over distribution of the waters of the Euphrates.
- Political upheaval is a certainty, due to the lack of accepted means for succession. Professor Bill believes that by the year 2000 many of the traditional political systems will have been replaced. Unless there is economic improvement for the masses in the oil-poor countries, more coups or revolutions could lie ahead.

# U.S. Postwar Policy

BEFORE WORLD WAR II the U.S. was little involved in the Middle East. Many Americans discovered the region for the first time during the war, when U.S. forces were stationed in Egypt and Iran. Afterward, the U.S. replaced Britain and France as the main Western influence and American companies sought more oil concessions.

For the past four decades, U.S. Administrations have subordinated Middle East policy to their overriding concern of containing Communist expansion. Presidents have typically announced "doctrines" that aimed to discourage Soviet involvement in the region. All Administrations since the time of President Dwight D. Eisenhower have also proposed plans to resolve the Arab-Israeli dispute. In order to understand current U.S. policy toward the region and how it is formulated, it is necessary to review its evolution.

**Truman (1945-53).** A number of Soviet moves after the war raised U.S. apprehensions. In 1946, the Soviets demanded joint control of the strategic Turkish straits through which their ships passed from the Black Sea to the Aegean. In Iran, they delayed withdrawing their troops in 1946 and sponsored two autonomous republics, in Azerbaijan and Kurdistan. In Greece, Communist-led guerrillas had gained the upper hand in the civil war by 1947 and the Soviets requested a port on the Aegean.

In response, President Harry S. Truman proclaimed what became known as the Truman Doctrine on March 12, 1947: "I believe that it must be the policy of the U.S. to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures." Congress quickly voted $400 million in military and economic aid for Turkey and Greece. Iran, by clever negotiating and exerting pressure at the United Nations, succeeded in thwarting Soviet designs on its territory. The "policy of firm containment" that diplomat George F. Kennan proposed in July 1947 became the guiding ideology of the postwar period.

The Korean War (1950-53) revived U.S. apprehensions about Communist intentions, and the Middle East assumed a new importance as an ideological battleground. The U.S. brought Turkey and Greece into the North Atlantic Treaty Organization (NATO) in 1952, sent aid to Iran, and weighed a major aid package for Egypt.

The Truman years are also remembered for U.S. recognition of Israel in 1948. This move caused serious disagreement within the U.S. government. The State Department, which was overruled by the President, opposed recognition on the grounds that the Jewish state could not survive and that recognition would alienate Arab nations.

*Egyptian President Nasser (r.) receives Soviet financing for Aswan Dam (1960)*

**Eisenhower (1953-61).** In the Eisenhower Administration foreign policy was largely shaped by Secretary of State John Foster Dulles. Dulles regarded most nationalist movements as Communist-inspired, and thought that neutrality between communism and the free world was immoral. His belief that Iran's charismatic prime minister, Mohammad Mossadeq, was influenced by Communists led the U.S., along with Britain, to restore Shah Mohammad Reza Pahlavi to his throne after he was briefly forced out of the country in August 1953.

Eisenhower opposed too close an identification with Israel and refused to approve military aid, arguing that this would provoke an arms race with the Arabs.

In the Arab world, the U.S. attempted to curry favor with two major rivals, Egypt and Iraq. At first it welcomed the coup in Egypt that deposed King Farouk in 1952 and brought Nasser to power. However, out of deference to the British, who were negotiating their departure from the Suez Canal Zone, and Israel, the U.S. turned down repeated Egyptian requests for military aid.

In 1955, the U.S. promoted a mutual security and economic development agreement called the Baghdad Pact, which included Iraq, Turkey, Iran and Pakistan. The U.S. supported the pact but did not formally join to avoid Egyptian criticism.

In September 1955, President Nasser made the first arms deal between an Arab country and the Soviet bloc. This was partly because of an Israeli raid on Gaza in February. In an attempt to recoup its influence, the U.S. in December promised to help Egypt build a massive dam on the Nile River at Aswan. It withdrew the offer the following July due to dismay at the Egyptian-Czech arms deal, Nasser's refusal to negotiate with Israel and congressional opposition.

Nasser's nationalization of the Suez Canal followed, along with the aborted

***Sadat, Carter and Begin sign Egyptian-Israeli Peace Treaty at the White House, March 26, 1979.***

invasion of Sinai by allies of the U.S. Two years later the Soviet Union helped build the dam. When President Richard M. Nixon visited the completed dam years later, he told Nasser, "Today I have seen America's greatest mistake."

Apprehensive about the growing Soviet presence in Egypt, the Administration in 1957 propounded the Eisenhower Doctrine, which stated that the U.S. was prepared to come to the aid of any government in the Middle East threatened by a Communist takeover. This led the U.S. to send troops to Lebanon in July 1958. In 1959, the U.S. signed bilateral defense agreements with Turkey, Iran and Pakistan, which were members of the Central Treaty Organization (CENTO), the successor to the Baghdad Pact.

The central premise of Eisenhower's foreign policy—like Truman's—was to contain communism, and for this he received broad bipartisan support. In retrospect, the Administration may have overestimated the Communist threat to the region and inadvertently given the Soviet Union a foothold. Its principal failure, however, was its lack of effective policies to deal with local nationalisms and to resolve the Arab-Israeli conflict.

**Kennedy and Johnson (1961-69).** President John F. Kennedy, who pursued an active anti-Communist policy in the Third World, promoted friendship with both Israel and the Arab states. To balance the Soviet arms that Egypt and Iraq were receiving, the U.S. in June 1962 for the first time agreed to sell arms to Israel.

In Iran, the U.S. pressured the shah to introduce a program of social reforms, including land reform. This led to serious antigovernment rioting in late 1962 and June 1963, spearheaded by Ayatollah Khomeini. Khomeini was deported and resided primarily in Iraq until his triumphant return in 1979.

Lyndon B. Johnson took office in 1963 after Kennedy's assassination, and relations with Egypt sank to a new low. Following Israel's victory in the June 1967 war, the U.S. came to regard it as the guardian of American interests, a powerful ally that could be depended on to maintain regional stability. The U.S. replaced France as Israel's main source of arms and U.S. arms aid for Israel shot up from $44 million in 1963 to $995 million in 1968.

The Johnson Administration played a role in formulating UN Security Council Resolution 242, passed on November 22, 1967. The resolution called on Israel to withdraw "from territories occupied in the recent conflict" and for Arab states to allow it to "live in peace within secure and recognized boundaries." The resolution was deliberately ambiguous—it did not specify *all* territories, for example—and U.S. officials have differed among themselves and with others in their interpretation. Since 1967, however, UN Resolution 242 has served as the basis for most peace plans.

Following the war, the Soviet Union rearmed Egypt, Syria and Jordan, and regional politics became polarized between the U.S. and Israel on one side and the Soviet Union and its Arab allies on the other. U.S. ties with Iran remained close.

**Nixon-Ford (1969-77).** President Nixon, chastened by the U.S. disaster in Vietnam, determined that American troops would no longer be sent to world trouble spots. Instead, under the July 1969 "Nixon Doctrine," U.S. economic and military aid would help fortify allies so they could defend themselves.

The U.S. relied on Iran and Saudi Arabia, the "twin pillars," to protect its interests in the Persian Gulf after the British withdrawal in 1971. In May 1972, Nixon, overriding the objections of the Defense Department, gave Iran carte blanche to buy virtually any weapons in the U.S. inventory, short of nuclear arms.

Secretary of State Henry A. Kissinger tried to bring the October 1973 Arab-Israeli war to an end without a clearcut winner or loser and without Soviet intervention. By so doing Israelis complained that the U.S. had robbed them of victory. In cooperation with the Soviets, the U.S. forged a cease-fire resolution at the UN on October 22, 1973.

Once a cease-fire was in effect, Kissinger worked to formulate a peace plan. His style of negotiation was to build confidence on both sides in a step-by-step process. He sought agreement on the smaller issues and set aside the big ones—such as where the final Israeli borders would be and how to resolve the question of the Palestinians. A key factor in his success was Sadat's willingness to negotiate and his acceptance of the U.S. as mediator: "The U.S. holds 99% of the cards," Sadat liked to say.

Through months of exhaustive "shuttle diplomacy" between the former combatants, Kissinger succeeded in mediating troop disengagements between Israel and Egypt in 1974 and 1975, and between Israel and Syria in 1974. But a real peace treaty had to await the next Administration.

**Carter (1977-81).** President Jimmy Carter made Arab-Israeli peace a top priority. In contrast to Kissinger's one-step-at-a-time approach, Carter sought a comprehensive settlement that would address all the major issues. Sadat's dramatic visit to Israel in November 1977, the first by an Arab head of state, broke an important psychological barrier and set the stage for peace.

There was little real progress, however, until Carter invited Sadat and Israeli Prime Minister Menachem Begin to a historic meeting at Camp David, Maryland, in September 1978. They signed two path-breaking agreements: one provided for Israeli withdrawal from Sinai and an Egypt-Israel peace treaty; the other was a framework for Palestinian autonomy in the West Bank and Gaza Strip.

President Carter traveled to the Middle East to conclude the Egypt-Israel peace treaty in March 1979. Observers credit the success of the negotiations to his personal commitment. To fulfill its part of the bargain, the U.S. began providing unprecedented levels of aid to the two countries.

In 1979-80 the Carter Administration was plagued by setbacks in what it dubbed the arc of crisis—the area extending from Egypt to Pakistan. Iran, after the overthrow of the shah in January 1979, was at the center of this arc. The following November 66 hostages were seized at the U.S. embassy in Tehran, leading to a prolonged crisis, which did not end until their release in January 1981. U.S. friends in the region accused Washington of deserting the shah and feared for their own future.

Carter had come into office with a benign impression of Soviet intentions in the Middle East. However, he changed his mind after the Soviet invasion of Afghanistan in December 1979. In January 1980 Carter warned the Soviets that "an attempt by any outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests" of the U.S. The Carter Doctrine was accompanied by the creation of a Rapid Deployment Force, or RDF (later renamed the Central Command), which had access to facilities in Egypt, Oman, Kenya and Somalia and was designed to intervene militarily in the Gulf region.

**Reagan (1981- ).** President Ronald Reagan entered office strongly committed to rebuilding America's image in the world. Although the U.S. had lost face in the Middle East, the Administration gave it a low priority. With peace between Israel and Egypt a reality, the Administration felt little pressure to follow up on the Camp David accords.

Secretary of State Alexander M. Haig Jr. initially sought to build a "strategic consensus" of moderate regional states against the Soviet threat. As in the 1950s, however, the states were more afraid of each other than the Soviet Union.

*Beirut, 1982. U.S. forces were sent to bolster the Lebanese government.*

It was Israel's invasion of Lebanon in June 1982 that led the U.S. into a risky intervention in Lebanese politics. (The president's special Middle East envoy, Philip C. Habib, had succeeded in negotiating a cease-fire between Israel and the PLO in August 1981.) As part of a multinational peacekeeping force, U.S. troops helped evacuate PLO fighters trapped in Beirut. U.S. troops were withdrawn but were sent back following the massacre of hundreds of civilians at the Palestinian refugee camps of Sabra and Shatila.

The Reagan Plan of September 1982, the President's only diplomatic initiative on the Middle East, proposed giving Palestinians on the West Bank and Gaza self-government in association with Jordan. It also called on Israel not to build any more settlements on the West Bank. Israel and Syria rejected the plan, and Jordan did not fully go along. The plan's downfall, however, has mainly been attributed to U.S. failure to consult adequately with the concerned parties in advance.

In May 1983 Secretary of State George P. Shultz brokered an agreement providing for Israel to withdraw most of its troops from Lebanon with the exception of the border area. The plan fell apart largely due to Syrian opposition. This failure reportedly dissuaded Shultz from further ventures in Middle East diplomacy.

U.S. Marines remained in Lebanon, but had no clear mission other than to bolster the government. A truck bomb, which destroyed their barracks in Beirut on October 23, 1983, killed 241 men and prompted new questions at home as to the U.S. purpose there. Although the President declared at the time that the U.S. had "vital interests in Lebanon" and that the presence of U.S. forces there was "central to our credibility," he withdrew the Marines in February 1984.

### The peace process

Since mid-1983, the U.S. has let the countries of the region take the lead in seeking peace and has played a behind-the-scenes role in trying to facilitate negotiations. U.S. hopes have focused on getting King Hussein and "moderate" Palestinians to negotiate with Israel.

Critics have charged the Administration with a dangerous drift in its Middle East diplomacy. According to Harold Saunders, longtime Mideast expert on the National Security Council (NSC) staff and at the State Department, it is the duty of political leaders—primarily

## Making Middle East Policy

How is U.S. policy toward the countries of the Middle East actually made? There are many actors, and they rarely speak with one voice. Within the executive branch, there are the State and Defense departments and the NSC staff, who are frequently at odds over policy. Then there is Congress. Important outside forces include lobby groups, the media and public opinion. The result is a constant tug-of-war that usually is focused more on short-term goals and crisis management than on long-term programs.

Policymakers tend to view the Middle East from one of two major perspectives, the global or the regional. **Globalists** focus on how the Middle East fits into worldwide concerns, notably the East-West balance of power. That preoccupation led the Eisenhower Administration to promote the Baghdad Pact and the Reagan Administration to seek a "strategic consensus."

**Regionalists** have a deeper knowledge of the countries and issues, often because they have lived there and studied the languages. Less concerned with the Soviet threat, they focus on the impact of local conflicts.

The President is the critical policymaker. He often comes into office with little knowledge of the region, and is quite dependent on his advisers. While all Presidents since Truman have been committed to the security of Israel, a perennial issue is what the U.S. should expect of Israel in return for its support. Eisenhower and Carter were not averse to applying pressure on Israel; Johnson and Reagan were reluctant to do so.

The assistant to the President for national security affairs, who heads the NSC staff, has been a key player since the time of Kissinger. He has frequently engaged in a power struggle with the secretary of state for the President's attention.

State Department staff are often characterized as having a pro-Arab bias and advancing a policy that is not overtly pro-Israel. Probably a majority of academic specialists share this bias, as do most companies with commercial interests in the Middle East.

Until the Arab oil embargo of 1973 the Defense Department did not take much interest in the Middle East. After that the U.S. military became more closely involved with states such as Saudi Arabia and Iran through arms sales. The fall of the shah and the Soviet invasion of Afghanistan in 1979 also heightened Pentagon interest in the region.

The intelligence community, such as the Central Intelligence Agency (CIA) and National Security Agency (NSA), also play a role in formulating policy. Inadequate intelligence information and failure to anticipate developments such as the Egyptian attack on Israel in 1973 and the Iranian revolution in 1978 have been costly to the U.S. Intelligence later scored a victory, however, with the apprehension of the terrorists who seized the cruise ship *Achille Lauro* in 1985.

Congress is an important player since it must approve foreign aid and major arms sales. It holds both public and closed hearings at which government officials must defend and explain policies. A majority of congressmen are pro-Israeli, and can be counted on to approve large aid appropriations to that country.

Lobbies promote their goals by contributing to candidates' campaigns through political action committees. The American Israel Public Affairs Committee (AIPAC) is the main pro-Israel lobbying organization. It does not contribute to candidates, but it has been very effective in mobilizing support for legislation favoring Israel and opposing arms sales to Arab states.

The Arab cause is promoted by groups such as the National Association of Arab Americans and the American-Arab Anti-Discrimination Committee. These are much less influential than the pro-Israel groups.

The media play an increasingly important role in shaping public opinion. Daily and prolonged exposure to the Iranian hostage crisis led to outrage against a country that for decades had been one of the closest U.S. friends in the Middle East. Television footage of Israel's invasion of Lebanon and bombardment of Beirut also caused dismay in the U.S., and is said to have had a strong effect on President Reagan.

### The electoral cycle

The regular cycle of U.S. presidential and congressional elections plays an important part in policy formation, according to former NSC staff member William B. Quandt. Major initiatives can only come in nonelection periods, since in election years it is politically difficult to put pressure on Israel. (Crises, such as Suez in 1956, give a President more leeway for action.)

Because it takes a new President a year or so to learn the issues and formulate policies, his second and third years are the most promising time for diplomatic progress. President Carter negotiated the Camp David accords in his second year, and Reagan sent forces to Lebanon and proposed the Reagan Plan in his second year. If Quandt is correct, Americans should not expect the next major spurt of Middle East diplomacy to come until 1990-91, barring unforeseen regional developments.

the U.S. President—to break down the barriers to peace. "Peace, like politics, is never finished," he says, "it is always in the making." Carter complained in Cairo in March 1987 that President Reagan's lack of leadership has almost doomed the peace process to failure.

The Administration feels that there is little likelihood of real progress any time soon, and is therefore reluctant to undertake a major diplomatic effort. In 1987, King Hussein promoted the idea of an international peace conference, including the five permanent members of the UN Security Council, Israel, Syria, and a Jordanian-Palestinian delegation. Shultz has endorsed it, provided the Soviets do not play a substantive role. The Israeli leadership is seriously divided, with Foreign Minister Shimon Peres its main supporter. On a trip to the region in October 1987—his first in two and a half years—Shultz was unsuccessful in persuading Prime Minister Yitzhak Shamir to go along.

The effectiveness of the U.S. as a mediator is compromised by its anti-

Arab tilt, according to Professor Michael C. Hudson of Georgetown University. The covert sale of arms to Iran is only the latest in a string of U.S. actions that many in the Arab world interpret as hostile. These include the shelling of Lebanese villages by U.S. ships in retaliation for attacks on American Marines in Beirut, presumed complicity in the Israeli attack on PLO headquarters in Tunisia, and the bombing of Libya in retaliation for a terrorist attack.

The high-level attention the U.S. government has paid to terrorist acts in the past appears to have backfired. The intense personal involvement of President Carter during the Iranian hostage crisis is widely believed to have prolonged it. More recently, the secret attempts to exchange arms for hostages failed, and the Administration asserts it has resumed its earlier policy of not negotiating with terrorists.

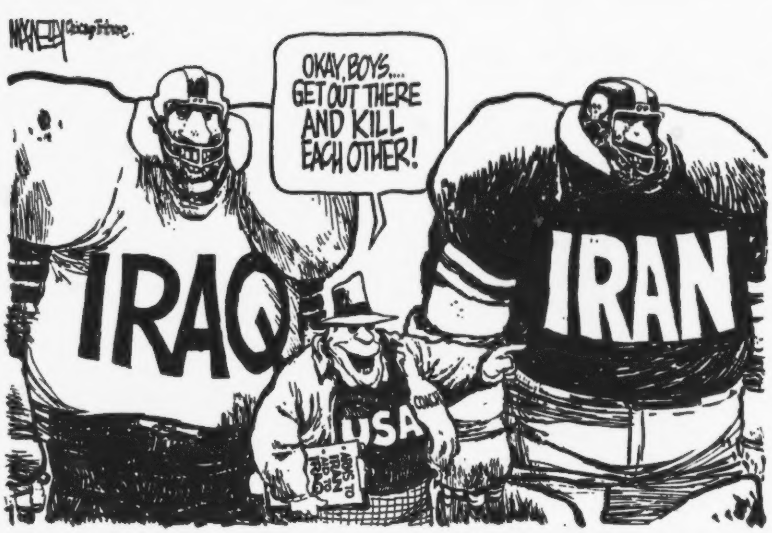
How great a threat is terrorism? The number of Americans involved is actually very small, with 12 killed throughout the world in 1986 compared with 38 in 1985. Overall, the number of terrorist incidents by Middle Eastern groups fell from 74 in 1985 to 39 in 1986.

## Credibility crisis

One measure of U.S. friendship is America's willingness to sell arms. The last major U.S. sale was of five airborne warning and control system (AWACS) radar planes to Saudi Arabia in 1981. The sale was only approved after Reagan put his own prestige on the line. The Administration would like to sell arms to Saudi Arabia, Jordan, Kuwait and the UAE but Congress has opposed all but minor sales on the grounds that the arms could be used against Israel. Jordan's request to improve its Hawk missile system and Saudi Arabia's to buy additional F-15 jet fighters have been pending for years.

In September 1987, the Administration proposed a $1.4 billion sale of Maverick antitank missiles and F-15s to Saudi Arabia to strengthen its defenses against Iran and as a reward for cooperating with the U.S. mission in the Gulf. The Administration later dropped the request for missiles in hopes of obtaining Congress' approval for the F-15s.

With regard to the war between Iran and Iraq, the U.S. supports the territorial integrity and political independence of both countries. It would like to bring the war to a negotiated end in which neither side is victorious. Its publicly stated position of neutrality, however, was compromised by revelations of covert arms sales to Iran, and by a subsequent increasing tilt toward Iraq.



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The Iraqi attack on the USS *Stark* on May 17, 1987, killing 37 U.S. sailors, suddenly brought the war home to Americans. The *Stark* was part of a seven-ship task force escorting U.S.-registered merchant vessels through the Gulf. (Since 1984, the two belligerents had attacked some 230 ships, mainly oil tankers. Iraq was responsible for 61% of the attacks; Iran, 39%.) The "inadvertent" attack, for which Iraq promptly apologized, caught the U.S. by surprise. The U.S. had anticipated that if an attack came it would be from Iran.

Not long before the *Stark* incident the U.S. had promised Kuwait to protect half of its 22 oil tankers by "reflagging" them, or transferring them to U.S. registry. Kuwait had requested U.S. protection in November 1986, but the request was ignored until the Soviets showed a willingness to help. Secretary of State Shultz said that U.S. escorts would defend themselves, but the U.S. would not go to war with either party. The Administration's rationale for increasing its presence in the Gulf is that the U.S. has a responsibility to maintain the freedom of navigation and to keep the Strait of Hormuz open.

The intervention has achieved the longtime U.S. goal of closer military cooperation with the regional countries. The U.S. has access to a naval mooring and supply facility (the term "base" is carefully avoided) in Bahrain, and an airstrip at Oman. The U.S. also assists the Saudis in operating AWACS aircraft and reportedly will receive storage facilities in Qatar. In the wake of the crisis of confidence resulting from the disclosure of its arms sales to Iran, the U.S. feels it must reassure its nervous Arab friends.

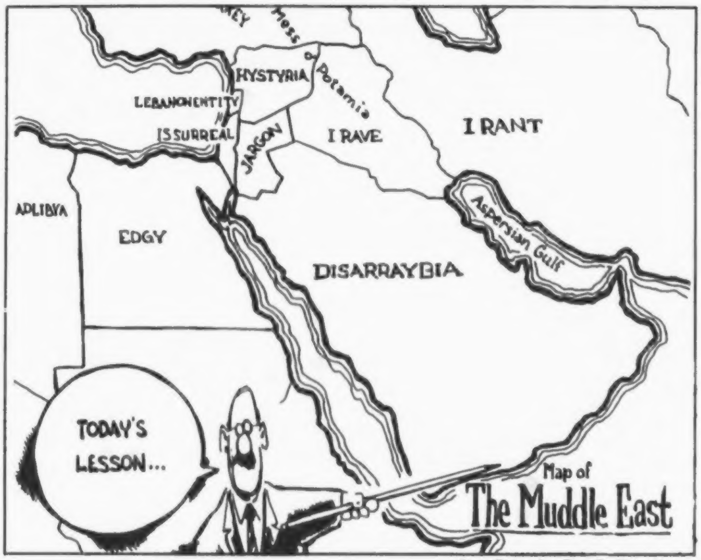
The expanded role of the U.S. military in the Gulf war zone has, however, alarmed many congressmen, who recall the disastrous stationing of Marines in Beirut. The Gulf operations, which cost $15-$20 million per month, are also a financial drain. In 1986 the U.S. got only 6% of its oil from the Gulf region; Japan got 60%, Italy 51%, France 33% and West Germany 10%. Therefore, if protection is needed, critics say, others should provide it. After initially hesitating to support the U.S., five European powers—Britain, France, Italy, Belgium and the Netherlands—agreed to send in minesweepers, and Britain put several Kuwaiti tankers under its protection.

The U.S. has looked to the UN for help in resolving the conflict. The Security Council passed a resolution in July 1987 calling for a cease-fire. The U.S. hoped to introduce a follow-up resolution, aimed at Iran, which would impose an arms embargo on any party refusing to go along. It was not clear, however, if China and the Soviet Union (both of which supply Iran with arms) would agree to those stronger steps.

# Major Issues

THERE ARE some persistent long-term problems in the Middle East which all Administrations have faced. These include U.S. relations with Israel, the Palestinian problem and the Soviet role. They can only be briefly sketched here.

**Israel: a 'strategic asset'?** One issue that has confronted every Administration is how to treat Israel. The arguments supporting favored treatment run as follows: Israel is the dominant military power in the region and consistently supports U.S. objectives, such as resisting communism and fighting terrorism. In addition to being democracies, there are strong personal links between the two countries. Because of the Holocaust, the U.S. has a moral obligation to support the Jewish state. Israel is an embattled ally that the Arab states will not let live in peace.



Tom Toles for *The Buffalo News*

Those favoring a more evenhanded approach argue that continued strong support for Israel is against the U.S. interest. They say that Israel's refusal to deal fairly with the Palestinians keeps the region in constant turmoil and fosters terrorism. They claim it is Israel that threatens Arab states, not the other way around. The real U.S. interest in the Middle East is in secure oil supplies, which means not offending the Arabs. Unquestioned U.S. support for Israeli policies has alienated Arab moderates and led some frustrated Arab governments to turn to the Soviets for arms.

**The Palestinians.** How to deal with the Palestinians, once characterized by the State Department as "the heart of the conflict," has long bedeviled U.S. diplomacy. The Camp David accords did not address the issue successfully, and this was a major reason Arab states rejected them. U.S. diplomats are handicapped, it is argued, by a prohibition against negotiating with the PLO until it recognizes UN Resolution 242 and Israel's right to exist.

A major issue is whether the Palestinians should be given a state of their own. One solution, endorsed by King Hussein and President Reagan, would be to grant the Palestinians self-government in the West Bank and Gaza in an entity confederated with Jordan. Otherwise, they will continue to live under military occupation or as exiles. Israel opposes a Palestinian state, and it is unclear whether Arab leaders, despite their rhetoric, really wish to see one.

Should the U.S. try to bring the PLO into the negotiating process, or continue to exclude it? Those in favor note that the PLO is the only Palestinian organization with the clout to make a deal with Israel. Those opposed say the U.S. should not deal with a terrorist organization whose word cannot be trusted.

**The Soviet role.** The Soviet Union has good relations with Syria, Libya, South Yemen and the PLO. It has diplomatic ties with Iraq, Oman, the UAE and Kuwait, and for the first time has gained a foothold in the Gulf by agreeing to transport Kuwaiti oil. Under Mikhail S. Gorbachev, the Soviets have made new efforts to woo moderate states such as Egypt, Jordan, and Saudi Arabia, as well as Israel.

The U.S., on the other hand, has good relations with moderate Arab states that oppose communism at home; with Islamic countries that condemn the Soviet invasion of Afghanistan; and with Israel.

The Reagan Administration views the Soviets as regional troublemakers, eager to exploit tensions. An alternative view holds that the Soviets do not want instability so near their borders and do not want another Arab-Israeli war in which Arab leaders will ask them to intervene.

Some believe that cooperating with the Soviets in the Middle East would benefit the U.S., for only by working with them can the U.S. hope to achieve peace in Afghanistan and between the Arabs and Israel. The Soviet Union is the only superpower with influence in both Iran and Iraq, and says it shares the U.S. goal of reducing instability and ending the Iran-Iraq war.

* * *

The society and politics of the Middle East have changed considerably over the past four decades. As the pace of change accelerates, the region is likely to become an even greater challenge for U.S. diplomacy. Optimism that the U.S. can influence developments and impose solutions has often been belied by the limited leverage it really exercises. Yet the importance of the region to U.S. interests and its potential to disrupt international politics guarantee that it will continue to be a priority area for policymakers.

**OPINION BALLOT** on page **95**

## For Discussion

**1.** Over the past decade and a half the U.S. has moved from verbal assurances to military commitment to keep the peace in the Persian Gulf. What interests is the U.S. protecting? What is the principal threat to those interests? Where should the U.S. draw the line on committing its forces?

**2.** The Iran-Iraq war began in 1980. As of fall 1987 it showed no signs of abating. How much leverage, if any, does the U.S. have to bring the war to an end? Can or should the U.S. be neutral toward the combatants? Should the U.S. continue its present policy of intervening at the request of regional states? Should it turn over its burden to a UN force?

**3.** "Our Middle Eastern policy can never be effective so long as we spend major resources trying to pre-empt for ourselves the politics of the area and strive to keep the Russians out," according to former diplomat George W. Ball. If Ball is right, how has the U.S. tried to pre-empt the politics of the Middle East? What is the alternative to the policy Ball is criticizing? Is the U.S. unduly preoccupied with keeping the Russians out?

**4.** Three days after Arab forces attacked Israel in October 1973, President Nixon declared, "We will not let Israel go down the tubes." Why did he make the statement? Is Israel a strategic asset for the U.S.? How has U.S. support for Israel affected U.S. relations with Arab governments, both moderate and radical?

**5.** Why has it proven difficult for outside powers to influence Middle Eastern countries?

**6.** Two issues that have roiled Middle Eastern politics since World War II are the Arab-Israeli conflict and the future of the Palestinians. Can these issues be settled without the U.S. taking a leading role? What role should the U.S. play?

**7.** Soon after coming into office President Reagan declared he would not permit Saudi Arabia "to be an Iran." How could the U.S. prevent this?

## Suggested Readings

Bill, James A., and Leiden, Carl, **Politics in the Middle East.** 2nd ed. Glenview, Ill., Scott Foresman/Little Brown, 1984. 464 pp. $15.95 (paper). The best introduction to political and social trends in the region.

Dawisha, Adeed, **The Arab Radicals.** New York, Council on Foreign Relations, 1986. 171 pp. $8.95 (paper). Anatomy of radical states and movements in the Arab world. The author concludes Islamic militancy has peaked.

Esposito, John L., **Islam and Politics.** Syracuse, N.Y., Syracuse University Press, 1984. 273 pp. $14.95 (paper). A comprehensive introduction to the historical role of Islam in politics and its current revival.

Hurewitz, J.C., "The Persian Gulf: After Iran's Revolution." **Headline Series** No. 244. New York, Foreign Policy Association, April 1979. 64 pp. $4.00. An excellent brief overview of the Persian Gulf states, the Soviet presence, and U.S. interests there.

**The Middle East,** 6th ed. Washington, D.C., Congressional Quarterly, 1986. 317 pp. $15.95 (paper). Excellent background on U.S. policy, overview of current issues and sketches of regional countries.

"The Middle East, 1988." **Current History,** February 1988 (entire issue). Up-to-date annual assessment by experts, including articles on U.S. and Soviet policy, the Iran-Iraq war and the role of Islam.

Owen, Roger, "The Arab States under Stress: The Impact of Falling Oil Prices." **World Policy Journal,** Fall 1986, pp. 643-65. The collapse of oil prices in 1986 has led to political divisions in the Arab world.

Quandt, William B., **Camp David: Peacemaking and Politics.** Washington, D.C., The Brookings Institution, 1986. 426 pp. $12.95 (paper). Authoritative account by a participant in a U.S. diplomatic triumph.

Sick, Gary, **All Fall Down: America's Tragic Encounter with Iran.** New York, Viking Penguin. 1986. 480 pp. $8.95 (paper). Inside account of making Iran policy under the Carter Administration.

Spiegel, Steven L., **The Other Arab-Israeli Conflict: Making America's Middle East Policy from Truman to Reagan.** Chicago, Ill., University of Chicago Press, 1985. 522 pp. $14.95 (paper). A fascinating account of how U.S. administrations formulated Middle East policy.

*For further in-depth reading, write for the GREAT DECISIONS '88 Bibliography (See page 2).*

ILLUSTRATION CREDITS: p. 51, maps by Robert Mansfield; p. 52, UNRWA photo by M. Nasr; p. 55, AP/Wide World Photos; p. 57, U.S. Marine Corps photo.

# 6

# The Global Environment

## REASSESSING THE THREAT

***If present trends continue, the world in 2000 will be more crowded, more polluted, less stable ecologically, and more vulnerable to disruption than the world we live in now.***

—Lead sentence of *The Global 2000 Report to the President*, published in 1980.

***[i]t is dead wrong.***

—Heritage Foundation scholar Julian L. Simon's assessment of the *Global 2000* report in *The Resourceful Earth*, 1984.

***Everything that* Global 2000 *said has come to pass.***

—Worldwatch Institute president, Lester R. Brown, 1987.

A SERIES OF ENVIRONMENTAL accidents in two recent years has jolted public attention. On November 1, 1986, a Swiss chemical plant accidentally released toxic waste into the Rhine, polluting the water up to 400 miles away. On April 26, 1986, an accident at a Soviet nuclear power plant in Chernobyl sent a radioactive cloud into the atmosphere; 31 people died. More than 2,300 died in December 1984, when an accident at a pesticide plant in Bhopal, India, released toxic fumes into the air.

Like supernovas, such accidents burst into view suddenly, disappear from the headlines quickly, and leave behind a residue of public concern over the health of the earth's environment—that delicate balance of resources such as air, water, soil and energy upon which human life depends. But the most serious threats to the environment are rarely in the headlines—they are not accidents but day to day human actions in a rapidly industrializing world.

Drive a car. Turn on the air-conditioning. Cut down a tree. Put on hair spray. These activities are believed to contribute to acid rain, depletion of the ozone layer and climate change. Each of these actions, multiplied by whatever percentage of the earth's 5 billion people perform them, is gradually changing the earth's environment.

Scientists believe that there are thresholds of damage to the environment, which, once crossed, cannot be undone. But what these thresholds are and when they are crossed is a source of continuing debate that has caused an almost constant reassessment of the nature of the threats to the environment.

On the one hand, the earth appears to be remarkably resilient, responding to proper care. Only a few years after it introduced improved management techniques and reduced its rate of population growth, China achieved food self-sufficiency. Eighteen years after the U.S. passed clean air and water legislation, both are visibly cleaner. And thanks to energy conservation, among other things, the U.S. is less vulnerable to sharp price hikes of Mideast oil such as those that were so disruptive in the 1970s.

On the other hand, because so much is still unknown, damaging changes can take place much more quickly than anticipated. It has long been known that aerosol spray cans release chemicals into the air that damage the ozone layer, the section of the stratosphere that forms a protective layer around the earth. It had been assumed until recently that the damage would not threaten human health for at least a century. Research has suggested the damage may be imminent.

### Foreign policy agenda

Environmental decisions frequently involve some trade-offs between protecting the environment and promoting economic growth. But when tacked on to foreign-policy making, the decisions are more difficult because they can mean a trade-off between improving one country's environment and another's economic growth. For example, it is widely accepted that air pollutants from U.S. smelters and power plants fall as acid rain in Canada, damaging that country's lakes and forests. Cleaning up the emissions would cost the U.S. billions of dollars. The cost of not doing so would be a severe strain in relations with an important ally, as well as potential damage to parts of the U.S. What policy should the U.S. follow?

From the perspective of national security, the most serious potential environmental threat to the U.S. is a shortage of natural resources such as oil or strategic metals. Many believe that dependence on such metals as titanium or platinum has made the U.S. more friendly to their source, South Africa, than it might otherwise be. How can the U.S. best protect itself from resource shortages?

The ecological soundness of other countries is also in the U.S. interest. "U.S. national interests in promoting human freedom and economic growth can be undermined by instability in other countries related to environmental degradation, population pressures, and resource scarcity," said Richard E. Benedick, State Department environmental affairs director. What policies should the U.S. encourage other countries to follow to achieve ecological soundness?

### A look backward

The Industrial Revolution of the 19th century ushered in the first major man-made changes in the environment. The use of coal to heat homes and to fuel factories caused severe air pollution. Industrial cities were enveloped in a haze of dirty air, smelling of rotten eggs because of its sulfur content.

Until World War II, most countries considered pollution an acceptable price to pay for progress. In fact, some boasted that it was a sign of progress.

But after the war a series of incidents focused attention on the environment. In 1952, a particularly bad London "fog"—in reality polluted air—killed 3,000 people in a few days. In 1962, Rachel Carson's book *Silent Spring* described some of the dangerous side effects of the insecticide DDT. In 1969, the heavily polluted Cuyahoga river near Cleveland, Ohio, caught fire.

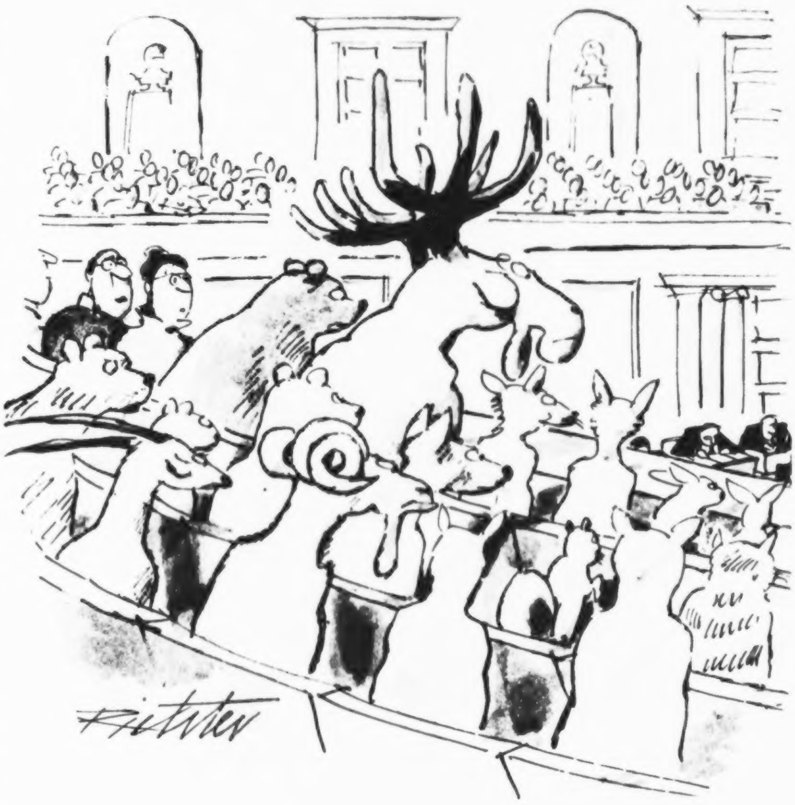
The UN-sponsored Stockholm Conference of 1972 was important in drawing world attention to the environment and to the possibility of international cooperation on environmental issues. The delegates from 113 countries agreed that the environment should be protected, although there was a sharp dividing line between the industrialized countries, which were worried about pollution, overpopulation, and resource conservation, and the developing countries, which were worried about hunger, disease, illiteracy and unemployment.

## Limits to growth?

The 1973 oil shortage was a powerful signal that the earth's resources might have limits. Although the crisis was more a result of price manipulation on the part of the members of the Organization of Petroleum Exporting Countries (OPEC) than an actual shortage of oil, the consequences for Americans were the same—high prices, long gas lines. Some believed it heralded the beginning of an "era of limits" in which more people would compete for fewer resources.

In 1977 President Jimmy Carter commissioned a report, known as *Global 2000*, to forecast the state of the world's resources at the end of the century. The report's prognosis for the earth's future—if present trends continued—was a frightening one. Excessive population growth, deforestation, energy depletion, food shortages—these were to be the harvests of progress.

No sooner had the official assessment been published than a reassessment began. One of the most comprehensive attacks on the *Global 2000* report was a book edited by Julian L. Simon and the late Herman Kahn called *The Resourceful Earth: A Response to Global 2000*. They concluded that there was no reason that the earth could not sustain many more people, and that overall standards of living would probably improve.



Drawing by Richter;
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*"Looks as if the clean-air crowd turned out in force."*

The reassessment struck a responsive chord with the Reagan Administration. Government intervention to protect the environment was not high on President Ronald Reagan's list of priorities. Candidate Reagan got off to a rocky start with the environmental movement when he said, during one of his campaign speeches, that trees were a source of pollution. Relations were not improved by the appointment of James G. Watt, an outspoken advocate of turning public land and resources over to private developers, as his first secretary of the interior.

But the downgrading of the environment as an issue was not solely a result of Reagan's presidency. Not long after he took office, OPEC oil prices collapsed, ending the sense of scarcity that had made conservation seem urgent. Also, many of the benefits of the legislation of the past decade, including the 1970 Clean Air and Clean Water acts, had come to fruition. U.S. air was cleaner, U.S. water was cleaner. Faced with pressing economic issues, environmental initiatives were put on a back burner.

## A new report

In April 1987 the UN released its own assessment of the state of the environment. The "Brundtland Report" of the World Commission on Environment and Development, named for its chairwoman, the prime minister of Norway, concludes that in most of the world environmental protection and economic growth are inseparable goals. It therefore recommends that international efforts to improve the environment must also address underlying issues such as poverty and a high population growth rate that cause people to abuse the environment.

# The World's Resources: An Assessment

***NASA chart shows ozone depletion over Antarctica.***

THE *GLOBAL 2000* report was controversial when it was released and it remains so. Even seven years into the report's projections, there is no agreement as to whether what it forecast is happening. Atmospheric problems—ozone depletion, climate change and acid rain—appear to be as serious as anticipated. Many resource shortages, on the other hand, appear less critical, giving credence to those who would leave management of such resources to the free market. A roundup of some of the major issues follows.

## The state of the air

In August 1985, a NASA satellite 600 miles from earth confirmed the existence of a hole in the ozone layer above Antarctica. Ozone is a deep-blue gas made up of oxygen atoms that is found throughout the earth's atmosphere, from ground level to some 30 miles above the earth. At ground level, ozone is considered a health hazard as it is one of the components of smog; but from the middle levels of the stratosphere on up, which is where the absence of the gas was discovered, it has a protective function, which is to shield the earth from some of the sun's ultraviolet rays.

The hole first appeared as early as 1977, but went unnoticed because the NASA satellite that could have detected it had automatically discarded the unusual results. The hole caught most scientists by surprise because until its discovery the consensus was that ozone depletion would take place at a rate of between 2% and 4% per decade. No sharp falloff had been anticipated.

Scientists hypothesize that the hole has been caused by an increase in a man-made substance called chlorofluorocarbons or CFCs. CFCs have been called the Boy Scouts of industrial chemicals because they are neither poisonous nor flammable. But once released into the atmosphere, they soar upward toward its outer reaches and "eat" the protective ozone. If enough of the ozone layer is depleted, it could mean unacceptably high levels of ultraviolet radiation, which could cause a sharp increase in skin cancer. They could also cause damage to the body's immune system and harm plant and aquatic ecosystems, as well as altering the earth's climate.

The U.S. has been aware for some time that CFCs damaged the outer ozone layer. In 1978, the EPA and the Food and Drug Administration banned the use of those compounds as propellants in aerosol sprays, one of the major sources of CFCs. (Today, substitutes are used as propellants.) But the decline from sprays was offset by an increase in the use of CFCs as coolants in car air-conditioners and refrigerators, as well as for packaging and insulation, the other major sources of CFCs. With increased CFC production by China and Western European countries, worldwide CFC levels have continued to rise.

In 1980, the UN Environment Program (UNEP) convened a meeting of scientists to discuss appropriate action. Although the negotiations got off to a slow start, they came to a dramatic conclusion in September 1987 when 24 nations plus the European Community signed a protocol designed to protect the earth's fragile ozone shield. Under the terms of the agreement, the signatories would freeze use of CFCs at 1986 levels in 1989 and would cut consumption of the chemicals by 20% by 1994. They agreed to cut consumption by an additional 30% by 1999.

The agreement represented a very real attempt at international cooperation. Said Benedick, who represented the U.S. at the talks, "For the first time the international community has initiated controls on production of an economically valuable commodity before there was tangible evidence of damage." Although the protocol was widely supported, some environmentalists wished that it had gone further. David Wirth, a lawyer for the Natural Resources Defense Council, has said that an 85% reduction in CFCs over the next five years is necessary to stabilize the ozone layer.

## Climate change: A real threat?

In 1957, scientists at an observatory in Mauna Loa, Hawaii, began to register an increased level of carbon dioxide ($CO_2$) in the atmosphere. The level has continued to rise each year since then. Many believe that $CO_2$ lets energy from the sun pass through but prevents the earth's heat from escaping, with the result that the earth's temperature is rising. This is called the greenhouse effect.

Scientists estimate that if industrial countries expand fossil fuel use 4% per year, by the year 2030 the amount of $CO_2$ in the atmosphere will be double preindustrial levels. The result is expected to be an increase in average temperature of just over 5 degrees Fahrenheit within the next 45 years. By contrast, during the last Ice Age, when sheets of ice covered much of Europe and North America, the earth's average temperature was only about 5 degrees colder than it is today.

There would also be shifts in rainfall patterns associated with a $CO_2$ rise. The result will be a drastic shift in the world's agriculture. The Sahara Desert could once again be fertile, the Great Plains, a desert. As the temperature rises, the oceans will slowly warm by absorbing heat from the atmosphere and together with melting ice will cause sea levels to rise.

The greenhouse effect remains a controversial theory, however, because of the difficulties in measuring climate change. Climate is not a constant. According to Professor H.E. Landsberg of the University of Maryland, ". . .rhythms of decades and centuries are part of the global climate system." Using data going back to the 16th century, Landsberg said that short-term shifts in climate are not unusual. Other skeptics note that only about 10 years ago the National Center for Atmospheric Research released a report saying the earth was getting colder.

There is agreement, however, that the amount of $CO_2$ in the atmosphere has increased greatly in this century and this is attributed mainly to two sources: the combustion of oil, primarily by automobiles, and deforestation. When trees are burned or left to decompose after forests are cleared, they release carbon. From 1860 to the present, the combustion of fossil fuels has been the source of 185 billion tons of carbon. During that same period, forest clearing caused more than 100 billion tons to be released. The U.S. is the largest generator of carbon today, followed by the Soviet Union.

The U.S. has participated in international conferences on global warming and is active in research on this problem. The Reagan Administration, however, has been skeptical about the likelihood of climate change, but has said that if a global warming is in effect, the best way to stop it would be to substitute nuclear- for oil-produced energy and to discourage deforestation.

Others would like to see more immediate corrective action. Changes advocated include funding research for nonnuclear alternatives to fossil fuels, and international campaigns to stop deforestation and to clean up emissions in Third World countries.

Ironically, the 1979 energy crisis may temporarily have accomplished what negotiations could not. The second oil crisis of that decade boosted oil prices dramatically and forced the major oil-using countries to take a more serious look at conservation. They began conserving fuel and therefore generating less carbon. Since then, carbon emissions have grown at an encouragingly low rate.

## Acid rain

In 1983 West Germany decided to survey the state of its forests. It found that 34% of the trees were suffering from some sort of damage. The next year's survey found 50%, and the 1986 survey found 52%. The Germans have named this problem *Waldsterben*—forest death. The primary culprit is believed to be acid rain.

When certain compounds, specifically nitrogen oxide ($NO_x$) and sulfur dioxide ($SO_2$), are released into the atmosphere they are chemically transformed and then fall to earth as acids in rain, snow or fog. Acid rain is believed to harm trees by weakening their resistance to natural events, such as drought, insect attacks and frost. Acid rain is also believed to kill fish. There are no known human side effects.

Acid rain is a particularly contentious environmental issue because the fossil-fuel smelters and power plants that are the source of the offending emissions are oftentimes not in the countries that are suffering. In Europe, winds sweep the acid rain from the major producer, Britain, to the Scandinavian countries, which produce little. Canada claims that one half of the $SO_2$ that falls on its eastern provinces comes from the U.S.

Since coal is neither expensive nor in short supply, its usage is unlikely to decrease; in fact, many developing countries project increased coal use. Environmentalists argue, therefore, that the best way of reducing acid rain is to establish emission controls. In March 1984, nine European countries and Canada established the "30% club," so called because they committed themselves to reduce 1980 levels of $SO_2$ by at least 30% over the next decade. The

***Rhine River after November 1, 1986, chemical spill:***
***West German workers clear away garbage; poisoned fish lie on river banks.***

## International environmental milestones

**1952** London. Industrial air pollution kills 1,600 people.

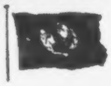
**1953** Minamata, Japan. Villagers eating contaminated fish show signs of mercury poisoning. The mercury eventually believed responsible for killing 161 people over more than a decade.

**1961** World Wildlife Fund founded.

**1972** United Nations Environment Program created.

UN Stockholm Conference on the Human Environment meets.

Convention on International Trade in Endangered Species convenes.



**1973-74** African famine. Worst of the '70s drought hits the continent.

**1974** Bucharest, Romania. First UN Conference on Population meets.

Rome. World Food Conference takes place.

**1976** Seviso, Italy. Major toxic gas leak engulfs town.

Greenpeace begins first 'save the seals' expedition in Canada.

**1977** Nairobi, Kenya. UN Conference on Desertification meets.

Argentina. UN Conference on Water held.

**1978** France. American Oil Co. tanker runs aground, creating major oil spill.

club was later joined by Bulgaria, East Germany and the Soviet Union, whose coal usage, already great, is expected to increase.

The U.S. has not been willing to join. Administration spokesmen argue that while the Europeans are just getting involved in such issues, U.S. legislation passed between 1973 and 1983 brought about a 28% drop in $SO_2$ emissions. U.S. coal-burning electric power plants have already spent billions on scrubbers—equipment using wet lime or limestone—to remove most of the emissions. Further pollution controls are too expensive, the Reagan Administration has argued, in the absence of a more definitive link between coal and acid rain.

### Safe water

For many, contamination of the water supply is a much more imminent concern than a disaster such as Chernobyl. Particularly worrisome to a lot of environmental activists are the health-threatening effects of toxic waste dumps, which, if not properly handled, seep into towns' water supplies. In 1980, 710 families from the town of Love Canal, outside of Niagara Falls, N.Y., were evacuated from their homes when chemicals from a buried waste dump were found to be seeping into their basements.

The health emergency at Love Canal prompted Congress to create a $1.6 billion Superfund in 1980 to clean up abandoned hazardous waste dumps. The Superfund legislation was renewed in 1986. As of 1985, only 6 hazardous-waste sites had been completely cleaned up; an estimated 1,400 to 2,200 remain to be cleaned up. The costs are estimated at between $10 billion and $100 billion, the range being so wide because there are many abandoned sites about which little is known.

In November 1986, water safety became an international issue when a toxic waste spill by a Swiss chemical plant caused severe damage to the Rhine river, an important source of water and fish for the European countries that share it. In some parts of the Rhine, all living creatures were killed. Although the Swiss firm has said it will pay some reparations, the damage to the Rhine will cost billions to repair and may take anywhere from 2 to 20 years.

Ironically, the European countries that border the Rhine are signatories to a variety of treaties regulating their usage of that river, but not one deals with how to assign responsibility for pollution. In other words, it remains unclear how to determine how much Sandoz should pay and how to force it to pay if it doesn't want to. Negotiations to set in writing arrangements for dealing with further Rhine spills are expected.

### Energy resources

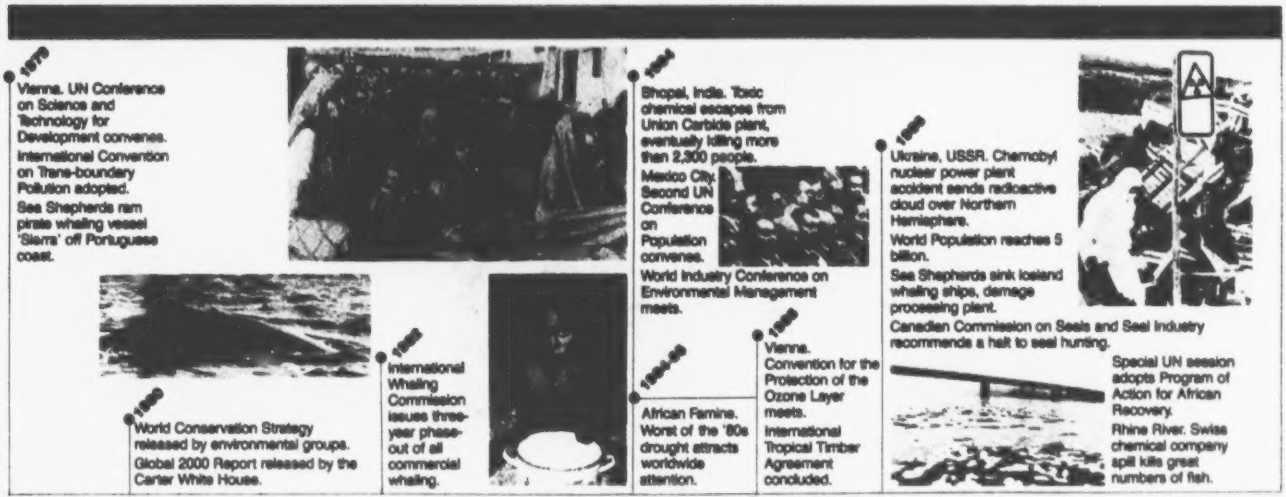
The successful conservation of oil and the small but increasing use of renewable fuels have enhanced national security by cushioning the U.S. from disruptions from hostile sources. Compared with 1977, the peak year of U.S. oil consumption, when 47% was imported and 17% came from Arab members of OPEC, in 1986 the U.S. imported 33% and depended on Arab OPEC for 7%.

The drop in oil imports reflects a combination of free-market and government actions. The OPEC price shocks raised the price of oil, making it profitable for the U.S. drillers to produce. The high prices, as well as congressional legislation, encouraged manufacturers to make cars and other products more energy-efficient. The recession of 1981-83 caused a sharp drop in economic growth, which meant that oil use declined.

At the same time, renewable energy projects have come to play a more important role than expected, thanks in part to tax incentives. They now provide about 5% of all U.S. energy needs. Sources of renewable energy are wind, water, the sun, and waste materials from which alcohol fuels are derived. They are so-labeled to distinguish them from oil and coal, which, once used, cannot be used again—for any practical time frame.

Does this mean the U.S. is protected from future OPEC shocks? Those who say no argue that over the long term the U.S. will be more vulnerable than ever because it is depleting its own reserves rapidly. At the 1985 rate of consumption, according to Worldwatch Institute analyst Christopher Flavin, the "ultimate depletion of global oil resources is between 50 and 88 years away." This view got some support from an Energy Department report in 1987 that predicted serious overdependence on Mideast oil by the mid-1990s.

Those who say yes believe that there are vastly more oil resources in the earth than have been projected. They note that projections as far back as 1885 have consistently underestimated the amount of oil available.



1979

Vienna. UN Conference on Science and Technology for Development convenes.

International Convention on Trans-boundary Pollution adopted.

Sea Shepherds ram pirate whaling vessel 'Sierra' off Portuguese coast.

1980

World Conservation Strategy released by environmental groups.

Global 2000 Report released by the Carter White House.

1982

International Whaling Commission issues three-year phase-out of all commercial whaling.

1984

Bhopal, India. Toxic chemical escapes from Union Carbide plant, eventually killing more than 2,300 people.

Mexico City. Second UN Conference on Population convenes.

World Industry Conference on Environmental Management meets.

1984-85

African Famine. Worst of the '80s drought attracts worldwide attention.

1985

Vienna. Convention for the Protection of the Ozone Layer meets.

International Tropical Timber Agreement concluded.

1986

Ukraine, USSR. Chernobyl nuclear power plant accident sends radioactive cloud over Northern Hemisphere.

World Population reaches 5 billion.

Sea Shepherds sink Iceland whaling ships, damage processing plant.

Canadian Commission on Seals and Seal Industry recommends a halt to seal hunting.

Special UN session adopts Program of Action for African Recovery.

Rhine River. Swiss chemical company spill kills great numbers of fish.

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By the time oil really does run out, they argue, the U.S. can turn to coal or nuclear power.

## Nuclear energy

There have been no new nuclear plants ordered for construction in the U.S. since the 1979 Three Mile Island accident in Pennsylvania. However, this could change. In February 1987, the staff of the U.S. Nuclear Regulatory Commission drafted a proposal that would allow controversial projects at Shoreham, N.Y., and Seabrook, N.H., to go forward.

Worldwide, 15% of electricity is nuclear-generated and the percentage is expected to rise to 20% by 1990. Dr. Hans Blix, director-general of the International Atomic Energy Agency (IAEA), said that to produce with coal the amount of electricity that the world gets today from nuclear energy would require the entire U.S. coal production. "We are dealing with a grown-up industry," Blix observed, "not an infant one..."

The accident at Chernobyl was seen by many environmentalists to be evidence of the great threat that nuclear energy poses to the environment. It was caused by human error during the course of a safety check. When the accident took place, a radioactive plume was spewed into the air by a raging fire which lasted for 10 days. The winds carried the waste around the earth, and within days much of Europe was experiencing the highest level of radioactive fallout ever recorded there.

Advocates of nuclear energy, such as Blix, believe that it still poses far less of a threat to the environment than its alternatives. "Nuclear power stations do not emit any $SO_2$ $NO_x$ or $CO_2$," said Blix. "They do not contribute to acid rain, dying forests or a change of the global climate...."

## Biological diversity

There are some 1.5 million identified forms of life. Scientists suspect that between 5 million and 10 million additional forms exist, but many evolve and disappear before they are identified. According to the Worldwatch Institute, the coming years may see a loss of tropical species almost equivalent to the mass extinction of the dinosaur period.

One reason for this is the decline of the tropical rain forests. The broad-leafed evergreen canopy that is characteristic of many of these forests shelters an amazing variety of different habitats. As a result, although they take up only 7% of the earth's land area, rain forests are the home of a disproportionate number of animal and plant species, perhaps one half of those on earth. In recent years, many rain forests have been cut down to make way for development. In addition, degradation of forests makes them more vulnerable to fire. In 1983, a severe forest fire on the island of Borneo destroyed 3.5 million hectares of tropical rain forest, an area nearly the size of Taiwan.

Worldwatch Institute associate Edward C. Wolf has compared deforestation to Russian roulette. He is concerned that deforestation will lead to a loss of species that will sharply reduce the amount of biological diversity on earth, depriving humans of potentially important, though yet unknown, forms of plant and animal life. Just as research in hybrid grains yielded great results with the Green Revolution, so hybrid animals may provide unknown benefits. The yakow, for example, combines the hardiness of a yak with the higher milk production of a cow.

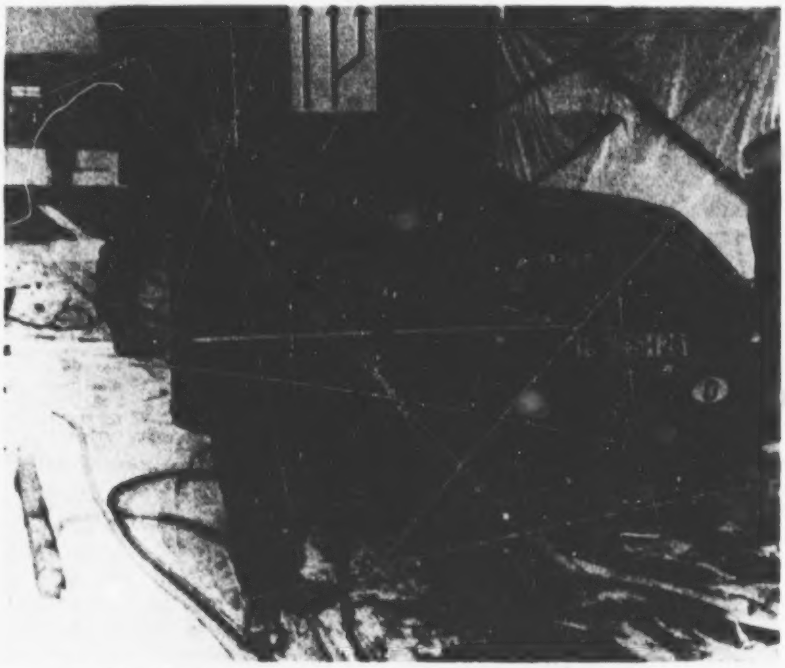
Conservation biologists favor setting aside "gene parks," large tracts of land reserved for endangered species where scientists could study the species' potential. This would be a more affirmative step than the Endangered Species Act of 1973, which simply requires the government to list those species that are endangered and forbids the hunting of and trade in the most threatened species.

Others believe that the current protection is sufficient. "One should not propose saving all species in their natural habitats, at any cost...any more than one should propose a policy of saving all human lives at any cost," write Julian Simon and Aaron Wildavsky, professor of political science at the University of California. One way of preventing extinction is through seed banks, which store samples of rare species.

## Soil erosion

Soil erosion is the wearing away of topsoil by wind and rain. Americans faced an extreme example of soil erosion in 1934, when a severe drought hit the overworked farms of the prairie states. The resulting dust storms smothered crops, forcing many small farmers off their land.

Soil erosion is set in motion when increasing numbers of people try to grow more food on existing land or clear forests to expand their cropland or



*Residue from Chernobyl is washed off car arriving in West Germany.*

obtain wood for fuel or building material. When land is overworked and when trees disappear, the soil loses its ability to hold on to valuable nutrients and water and the fertility of the soil begins to decline.

All countries today—developed and less-developed—face the problem of soil erosion. Since the mid-century, most countries have achieved great gains in agriculture, but at a cost: wide tracts of land, much of it marginal, have been overworked. By the late 1970s, soil erosion exceeded new soil formation on one third of U.S. cropland. In the 1985 Food Security Act the U.S. took an important step toward halting soil erosion by encouraging farmers to convert 45 million acres of highly erodible cropland (11% of U.S. land under cultivation) to grassland or trees by 1990.

Soil erosion is particularly damaging in parts of Africa because the rapidly growing population is so dependent on agriculture for food and money and the decline in that continent's soil fertility has been a major cause of its decline in income. Government policies have been partly to blame. Many Third World governments hold down the price of food for city dwellers in an effort to win their political support. The low prices increase the city's demand for food, while lowering the farmers' profits, forcing them to farm on more and more marginal land. Political and social disruptions, such as civil war or a large influx of refugees, also contribute to soil erosion.

There are various methods to offset soil erosion, such as terracing, planting hedges or contour plowing. But underlying the discussion over the best way to help improve agricultural productivity in the Third World is another deeper and more divisive debate, that over the role of population.

## Population growth

In 1987 the world's population topped the 5 billion mark, a threefold increase since the turn of the century. At about the same time, the two most populous countries in the world, China and India, achieved food self-sufficiency. Two theories as to how this seemingly paradoxical chain of events happened illustrate the basic difference in views on population.

Many environmentalists believe that population is the single most important factor that determines environment. In their view, a fairly simple equation describes the state of the world's environment: resources divided by population. "The more children there are in the average family, the lower the quality of life for society as a whole," said Lester Brown.

In 1950 Western Europe produced only slightly more grain per capita than Africa. By 1985, Western Europe was producing over three times the amount of grain per capita that Africa was. Total grain production over that 35-year period grew by 164% in Western Europe, by 129% in Africa. Both continents succeeded in increasing their food production greatly, yet one has a food surplus, the other hunger. The difference, Brown concludes, is in Africa's high population growth rate versus Western Europe's slower growth rate.

China's radical turnaround, some environmentalists are convinced, is a result of its successful, though draconian, population measures that have brought about a sharp decrease in population growth. They view India, on the other hand, as a more ephemeral success: they believe its food supply will ultimately be overtaken by population growth.

This viewpoint is vigorously contested by critics, among them President Reagan, who argue that from a demographic viewpoint, things are much better now than they ever have been. Economist Mark Perlman writes that "the outstanding demographic fact of our times is the relatively recent continued expansion of life expectancy for virtually all age groups." Supporters of this view believe that the rate of population growth, which has been slowing over the course of the century, will eventually come to a halt when more countries are industrialized. They therefore tend to put priority on policies that will lead to development, rather than policies that will control population.

Proponents of this view attribute China's success in agriculture to its introduction of free-market mechanisms to its farmers, which made them more efficient. Africa's failure to sustain itself, they believe, is not caused by overpopulation, but by the actions of its governments that encourage inefficient policies.

Reflecting this view, the Reagan Administration has reversed the long-standing U.S. leadership of the population control movement. In August 1986, the U.S. announced it was withdrawing all financial support from the UN Fund for Population Activities (UNFPA), the international agency responsible for coordinating family planning programs in 134 countries. The ostensible reason was the reports of forced abortions in China, which receives UNFPA aid.

# The Link to Foreign Policy

On February 18, 1987, the U.S. Environmental Protection Agency (EPA) released a reassessment of the problems posing the greatest risk to human health and the environment that suggested the agency may have been emphasizing the wrong ones. It redefined some issues that had loomed large in previous discussions on the environment, such as the management of hazardous materials and wastes, as "high effort, low risk" issues. It assigned air pollution problems causing ozone depletion, acid rain and climate change a higher priority.

One striking aspect of the EPA's reassessment is that the top-ranked problems are all foreign policy issues. Of course, most environmental issues are international concerns to some degree, since the environment does not respect national boundaries. But air and water pollution issues are unique in that they cannot be resolved by the efforts of one nation alone, the way, for example, Congress could establish a superfund to clean up abandoned toxic waste sites.

## Environment vs. growth

Protecting the environment is expensive. In Japan, which has the strictest laws covering acid rain, pollution control accounts for 25% of the total cost of coal-generated electricity, an enormous sum. Environmental protection may add expenses that make it more difficult for a company to compete internationally. But the cost of not protecting the environment may also be prohibitive, both in terms of money and the quality of human life. Recovery from the accidents on the Rhine and in Chernobyl will take years and cost billions of dollars.

In the U.S., the environment versus economic growth debate is an important part of the discussion of acid rain policy. The Canadians blame U.S. pollution for the destruction of 13 salmon-bearing rivers in Nova Scotia and at least 1,600 lakes in Ontario. Another 1 million lakes are considered vulnerable to acid rain damage. The U.S. has restrictions on some of the emissions that are believed to cause acid rain, but the Canadians argue that these restrictions, passed in the 1970s, are inadequate.

In 1985, in an effort to improve strained relations, Reagan and Canadian Prime Minister Brian Mulroney appointed two special envoys to complete a study on the transboundary acid rain issue and make rec-

***Mock death scene staged by environmental demonstrators in Brussels to protest acid rain levels in Europe.***

*Richard E. Benedick*

ommendations. The report concluded that the U.S. was contributing to acid rain in Canada. Instead of proposing expensive emissions controls, the report took a middle ground. It called for a five-year, $5 billion (half financed by government, half by industry) program to develop ways to burn coal cleanly. Reagan endorsed the report and in March 1987 he announced that he would honor the agreement by requesting the full $2.5 billion for that effort.

The National Clean Air Coalition, which favors stronger emission controls, considers the report "a step backward." Critics believe that the Administration is just trying to buy more time before cleaning up the pollution, an action they believe it is going to have to take sooner or later. By focusing on research rather than reducing emissions, the Administration is trying to avoid the problem. Michael McCloskey, executive director of the Sierra Club, said the program was an attempt "to create the illusion that this Administration is willing to control acid rain."

State Department official Benedick says that more research is required. "The U.S. will act when it is reasonably certain that such action will achieve its intended results and that those results will justify the social and economic costs involved," he said. Those costs are high. The companies responsible for the emissions are located in those areas of the country that have already been severely afflicted with layoffs. Adding on costs will only make them less competitive and will cost more jobs.

### Confronting shortages

The earth's bountiful resources are not distributed equally. Up to 90% of the supply of certain scarce strategic metals are located in just two countries, South Africa and the Soviet Union. Sixty percent of all proven oil reserves are located in the Middle Eastern member countries of OPEC. How can the U.S. best protect itself from resource shortages?

The Reagan Administration argues that the free market, over the long term, will end any disruptions of supply. Had the government not intervened to try and lower prices and distribute oil in the crises of the 1970s, the market would have adjusted more quickly and the oil, although scarce, would have wound up in the hands of those who most needed it. They note the successful workings of the market in the 1980s. If there is a shortage of oil in the future, they argue, oil prices will go up, marginal wells and investments in alternative fuels will become profitable.

Critics believe that potential oil disruptions are too dangerous to leave to the free market. They note that today, with oil prices low, there is little incentive to explore or invest in alternative programs, which require long lead times. In the event of a crisis, the U.S. will find itself vulnerable to pressure from oil-producing countries. The U.S. should have a comprehensive energy plan and should be stockpiling oil while it is cheap. Many favor a tax on imported oil.

### Degradation's toll

Ecological degradation outside the U.S. can harm U.S. interests. For example, deforestation elsewhere hurts the U.S. because it leads to climate change. "We will build a fool's paradise here in the U.S. if we focus only on our problems...," says James "Gus" Gustave Speth, president of the World Resources Institute.

Ecological degradation can force development to a halt, as soil erosion has done in Ethiopia and many other countries in Africa. The grim harvest of erosion is vast human misery, which can lead in turn to conflict. In Central America, a variety of problems caused a sharp reduction in food production. Population increased rapidly; ownership of most of the land was concentrated in the hands of a very small percentage of the population, meaning that the land remaining for the peasants was greatly overworked. According to the 1984 report of the "Kissinger Commission on Central America," ecological factors such as the above were important ingredients in the civil war that took place in El Salvador and the overthrow of the Somoza dictatorship in Nicaragua. What policies should the U.S. encourage to get countries on a sound ecological footing?

Many environmentalists argue that the first priority for the U.S. should be to increase aid to population-control efforts. They cite a world fertility survey—the largest social science research project ever undertaken, circa 1980—which reported that of the women it interviewed from the developing world, half said they wanted no more children. This is evidence, they believe, that many women in the Third World want family-planning assistance but do not have access to it. They want the U.S. to support international family planning, including birth control and research in developing new birth control methods.

The Reagan Administration has favored instead focusing on free markets and the capitalist system. An efficient economy is an environmentally sound economy because resources are less likely to be underpriced or used wastefully. (Many environmentalists share this opinion.) The Administration argues that population growth will decline naturally as a country develops economically and as its citizens are better educated.

★★★

The earth is on the threshold of major environmental change. In only a few cases can the U.S. respond unilaterally; most will require greater international cooperation. What actions should the U.S. take?

**OPINION BALLOT on page 96**

## For Discussion

**1.** How would you assess the current state of the world's environment? Do you think the *Global 2000* assessment was unnecessarily gloomy or do you think it was accurate?

**2.** In such recent accidents as the Rhine chemical spill and the Chernobyl nuclear disaster, citizens of one country were harmed by the actions of another. Do you think the offending country should have to pay some sort of restitution? If yes, how should the award be decided: by a multilateral agency? a bilateral treaty? Should the U.S. be expected to compensate Canada for acid rain damage?

**3.** Although U.S. oil conservation is a major environmental success, in the past few years consumption has increased somewhat as the supply of cheap oil has increased. Should the government take steps to decrease such consumption, such as an oil import tax? Or is this a matter best handled by the marketplace?

**4.** The U.S. nuclear energy industry has been in limbo since the accident at Three Mile Island. Advocates of nuclear power argue that other forms of energy—such as oil and coal—have more damaging effects on the environment since they are believed to cause global warming and air pollution. What do you think?

**5.** Overpopulation is often blamed as a cause of most of the world's environmental problems. For this reason, many favor family-planning programs. But others believe that the emphasis should be on economic development, since the population growth rate goes down once a country industrializes. Which of these views comes closest to your own?

**6.** Africa was once self-sufficient in food. Today it confronts famine. Why do you think Africa's food situation is so bleak?

**7.** The current hostilities in the Persian Gulf are due to a fear that access to a precious resource—oil—may be cut off. Are there other situations you can think of in which a resource shortage might provoke hostilities?

## Suggested Readings

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World Commission on Environment and Development, **Our Common Future**. New York, Oxford University Press, 1987. 400 pp. $9.95 (paper). Report by commission chaired by Norwegian Prime Minister Gro Harlem Brundtland concludes that "sustainable human progress" calls for international cooperation that recognizes environmental protection and economic growth as inseparable.

*For further in-depth reading, write for the* G*REAT* D*ECISIONS '88 Bibliography (See page 2).*

ILLUSTRATION CREDITS: p. 64, NASA; p. 65, German Information Center; p.68, AP/Wide World Photos; p.69, Reuters/Bettmann Newsphotos; p. 70, The Conservation Foundation.

## 7

# South Korea

## THE FUTURE OF DEMOCRACY

AS HOST OF THE 1988 summer Olympics, South Korea will be the focus of world attention. To prepare for the international scrutiny, this fiercely proud country has spent seven years and more than $3 billion building new housing, subways, offices, stadiums and roads. But by the time the Olympic torch is lit, South Korea's economic achievements are likely to be overshadowed by political developments. If the scheduled transfer of power takes place in February 1988, South Korea will have taken a giant step toward democracy.

Few countries have changed as dramatically in as short a time as South Korea. When the Korean War ended in 1953, South Korea was an impoverished, agrarian nation. Today, after 25 years of rapid economic growth, South Korea is a major regional economic power. But political development has lagged behind economic growth. South Korea's government, although less repressive than many less-developed countries' regimes, is an oppressive one.

In April 1987, President Chun Doo Hwan suspended yearlong talks on liberalizing the constitution. This unpopular move was accepted quietly, but when Roh Tae Woo, an ex-general, was appointed in June as the candidate of the government party—all but assuring his election—protests broke out. Inspired in part by the "people power" that brought down President Ferdinand E. Marcos in the Philippines in 1986, South Korean students took to the streets in protest. The turning point came when members of the middle class joined the protests. In a dramatic televised speech, Roh accepted opposition demands for direct presidential elections.

The campaign for president began in the fall and was a sobering reminder of how many hurdles South Korea has yet to clear to make its attempt at democracy a success. The opposition was unable to agree on a single candidate and split into two parties, diluting its chances of a victory at the polls. Opposition candidate Kim Dae Jung then accused Roh's associates of using unfair election tactics and called for a neutral interim government to oversee the elections. A remark by Chun in November that campaign violence had created a "serious threat to a fair election" was a reminder that the government might call off the election as quickly as it had agreed to hold it.

A peaceful resolution of South Korea's political drama is in the U.S. interest for several reasons. **Militarily,** the South Korean peninsula is of strategic importance to the U.S., the Soviet Union, China and Japan. The U.S. has 41,500 troops stationed in South Korea. They are there to prevent an invasion from the north, but they also contribute to regional stability. **Economically,** South Korea is an important trading partner. It is the fourth largest customer for U.S. agricultural produce and America's seventh most important trading partner. **Politically,** South Korea is an important ally. It supports U.S. positions on many foreign policy issues, including a firm stand against communism.

South Korea has had several brushes with democracy in its postwar history, whether by holding direct elections or adopting new constitutions. Its most serious attempt at democracy ended in 1961 when the prime minister and his cabinet were deposed by the military. Have the changes in South Korea over the past 27 years provided a more hospitable climate for democracy?

An important element in that equation will be the steps taken by South Korea's unpredictable neighbor to the north. North Korea itself will be undergoing great changes in the coming years. It faces the first transition of power in its history. It also faces difficult economic challenges. Will this increase or reduce the threat to South Korea?

Although security interests have dominated the concerns of South Korea for the past four decades, it is emerging as a power with influence among the important Pacific Basin countries. What changes may be expected in South Korean foreign policy?

Finally, for the U.S., the changes in South Korea mark "the coming of age" of a country that only a few decades ago was considered a permanent aid recipient. Changes are inevitable in the U.S. relationship with South Korea: in the handling of U.S. troops stationed there and in the negotiation and conduct of trade. Also, the U.S. will have to learn how best to deal with rising anti-Americanism.

### History

Korea is a peninsula that juts out from the Asian mainland. The Yalu and Tumen rivers separate it from China and the Soviet Union. These boundaries have historically provided Korea insufficient protection from repeated assaults on its territory.

Korea's first state was overthrown by the Chinese in 108 B.C. Three Korean kingdoms competed for control of the peninsula until A.D. 676, when Silla, one of the three, triumphed and drove out the Chinese. From then until 1945, Korea was a unified nation. During the rule of the Silla Dynasty and the Koryo (from which comes Korea) Dynasty (936-1392) that followed, Korea succeeded in maintaining its own culture, even as it was absorbed into China's international system. The Chinese emperor was considered the center of the universe and Korea occupied a subordinate, "younger brother" position. But under the Yi Dynasty, which lasted from 1392 until the Japanese annexed Korea in 1910, Korea adopted the Chinese political system and state religion (Confucianism in place of Buddhism).

Europeans began arriving in East Asia in the 17th century, but Korea's protection by China and its seeming un-

*Korea University students, protected from the tear gas with masks, throw rocks and bottles at riot police.*

importance spared it Western attention. It was Japan, which had itself been the object of unwanted European interest, that opened Korea to the West. In 1876, Japan sent a fleet to Korea and forced it to sign its first Western-style treaty.

A three-way battle over Korea's fate then took place among China, Japan and Russia, with Japan the ultimate victor. In 1895, Japan defeated Chinese troops in Korea. Then Japan skirmished with Russia for a decade. In 1904, war broke out. Japan defeated Russia, and took Korea as a protectorate. Japan annexed Korea in 1910, without challenge from the Western powers.

The Japanese occupation of Korea was a harsh period in that nation's history. Although Japan modernized the country by building roads and factories, the average Korean's diet as well as standard of living declined. In 1938 Japan ordered the exclusive use of the Japanese language and began forcing Koreans to adopt Japanese names.

## Division

After close to 40 years of neglect by the outside world, Korea once again became a center of international attention as a result of World War II. In the 1943 Cairo Declaration, the Pacific allies (U.S., Britain and China) pledged independence for Korea "in due course." The U.S. and Soviet Union had worked out vague plans for an international trusteeship, but peace in the Pacific came more quickly than anticipated. The Soviets entered the Pacific war on August 8, 1945, and crossed into Korea the next day. As the Japanese war effort crumbled, creating a political vacuum within Korea, the U.S. issued General Order No. 1, which had the effect of dividing Korea by calling for Japanese troops north of the 38th parallel to surrender to Soviet troops; those south of the line to surrender to U.S. troops (which arrived there in September). Soviet leader Joseph Stalin did not object to the plan.

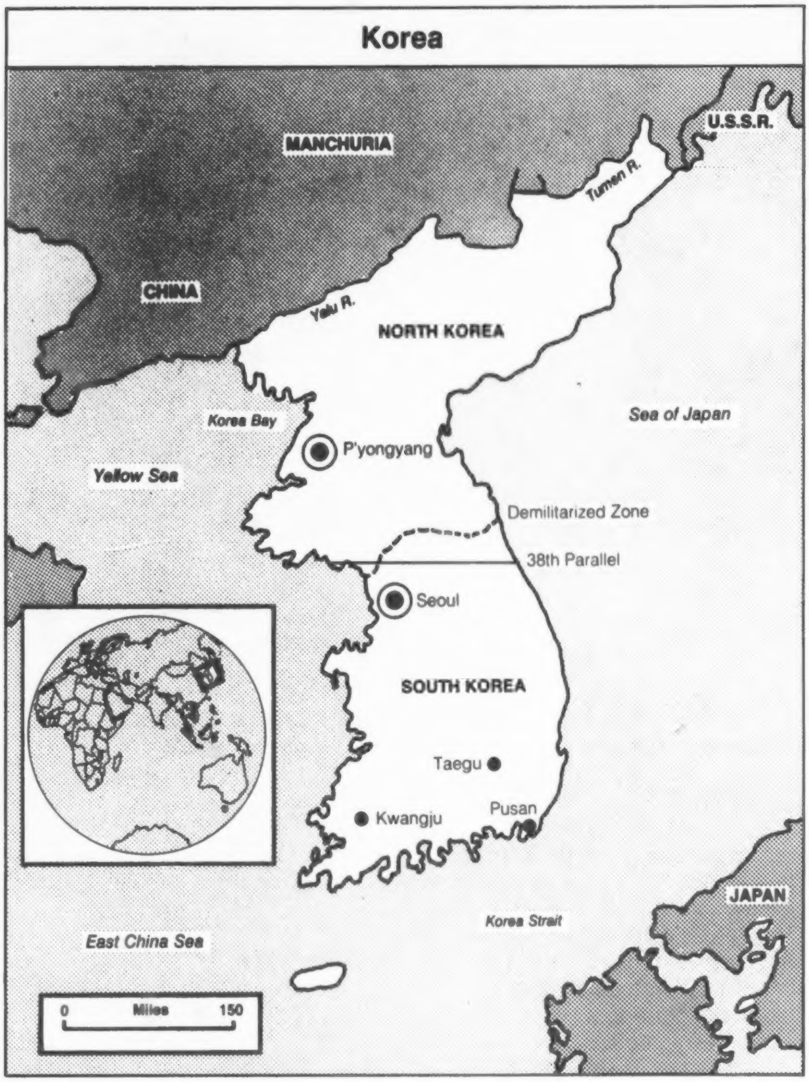
The temporary division became a permanent one as Korea became a victim of cold-war politics. U.S.-Soviet negotiations for a unified Korean administration broke down. Elections were held in the South under United Nations observers in May 1948, resulting in a separate Republic of Korea (ROK) south of the 38th parallel. The North then held its own elections, establishing the Communist Democratic People's Republic of Korea (DPRK). The UN recognized the ROK as the only lawful government in Korea.

On June 25, 1950, North Korean forces launched a surprise attack on South Korea. The North Korean forces overran Seoul, the South's capital, which is only about 30 miles from the border.

## Korean War

In spite of earlier signals that the U.S. would not go to war for South Korea—Secretary of State Dean Acheson had implied South Korea was not within the U.S. Pacific defense perimeter—America responded rapidly to the attack by calling for UN action to repel the aggression. The U.S. recognized the danger to Japan's security should South Korea fall; also, having just seen a Communist victory in China in 1949, the U.S. did not want to "lose" another Asian country. And the events leading to World War II had shown the U.S. that aggressors could not be appeased.

UN forces, led by U.S. General Douglas MacArthur, successfully pushed back the enemy, then went on to invade North Korea. But the northward progress of the UN troops alarmed the Chinese, who feared an assault on their own territory. They sent 1.2 million "people's volunteers" to help the North Koreans push the UN forces south of Seoul once again. The UN troops fought their way back up to the


Korea

38th parallel, where, by 1951, both sides were stalemated. An armistice dividing the country was signed on July 27, 1953, by the UN commander, General Matthew B. Ridgway, on the one side, and the commanders of the (North) Korean People's Army and the Chinese people's volunteers on the other. A 2.5-mile-wide demilitarized zone (DMZ) was drawn across the peninsula. Neither South Korea nor the U.S. signed the armistice, but they adhere to it through the UN Command.

## South Korea's government

Since the division, South Korea has been ruled by a succession of authoritarian leaders. Although nominally a democracy, with a constitution that allows opposition parties, in actuality little dissent has been permitted and human rights have often been repressed.

South Korea's first president, Syngman Rhee, ruled from 1948 to 1960. Rhee was well-known to Americans as a spokesman for Korean independence; he had lived in the U.S. for more than 40 years. His reputation among South Koreans as a leader and patriot ensured his election for three successive terms, but his support diminished as economic and social problems multiplied. When he was elected president for a fourth time in 1960 in an obviously rigged election, student rioting triggered massive popular demonstrations and Rhee was forced to resign.

A brief democratic period followed in which Korea amended its constitution and Chang Myon was elected prime minister by the legislature. But Chang was unable to bring the government to order or the student protesters under control. The army, concerned with the continuing instability, stepped in and ended his rule in May 1961.

Civilian rule was not restored until 1963, when Park Chung Hee, a general who had led the military government, retired from the army and was elected president under an amended constitution. Park is considered the architect of South Korea's economic success. By concentrating South Korea's economic efforts on exports he laid the groundwork for the miraculous economic growth that continues to propel the country.

Politically, Park was less effective. After a poor showing by his party in elections for the National Assembly in 1971, Park imposed a state of emergency and, one year later, martial law under which he revoked freedoms of speech and assembly and dissolved the legislature. Park then put to a public referendum the Yushin (revitalizing constitution), that legalized those powers he had usurped (at the expense of the assembly and the judiciary). It was approved, and the Park era continued. But on October 26, 1979, Park was killed by one of his aides, the director of Korea's Central Intelligence Agency, who was apparently distressed at the increasingly repressive government.

Park was succeeded by a civilian government. Martial law had been put into effect after the assassination; nonetheless the political climate was fairly open and South Korea's leaders conducted negotiations over a new constitution. As the negotiations dragged on, however, and the economy suffered its first downturn since the 1950s, labor strikes and student protests broke out in April 1980. The military, led by General Chun Doo Hwan, the current president, grew impatient. In May they forced the president to proclaim a new, stricter martial law decree. This prohibited demonstrations, closed down the universities and outlawed criticism of the incumbent and past presidents. They also arrested the major opposition leaders, including Kim Dae Jung.

## Kwangju

Chun's actions provoked rioting in Kwangju, a city in the southern part of the country. Between May 18 and May 27, the demonstration that had begun as a student protest grew into an insurrection throughout the South Cholla province. The government sent troops to end the rebellion, and in the confrontation 183 died. (Unofficial estimates number the deaths at 2000.) A few months later Chun ran unopposed for president and was elected by a handpicked electoral college.

According to the terms of Korea's fifth constitution, adopted soon after Chun came to power, the president serves a single seven-year term. As the end of Chun's tenure approached, South Koreans watched to see if he would keep his often reiterated promise to step down, giving the country the first peaceful transfer of power in its postwar history.

### Candidate Roh

These hopes were set back in April 1987 when Chun suspended negotiations with the opposition over the form the elections should take. The nomination of Roh Tae Woo by the government party in June 1987, under the old system of election by electoral college, all but assured him victory. Student protesters, later joined by middle-class demonstrators, took to the streets, demanding direct presidential elections, which they believed would give the opposition party a better chance.

The crisis ended on June 29, 1987, when Roh agreed to direct presidential elections and said he would quit the race if Chun did not put the reforms into effect. This immensely popular step was attributed to Roh's concern that the instability would jeopardize holding the Olympics in South Korea, would provoke action from the North Koreans, and would undermine his own position as the candidate of the Democratic Justice party. Others believed Roh's action was a pragmatic recognition of the overwhelming popular support for political liberalization, and some thought that with his increased stature, he might win such an election.

The likelihood of a government victory increased when campaigning began and the two major opposition figures, Kim Young Sam, 59, head of the larger opposition party, and Kim Dae Jung were unable to agree on which of them should run. Although the two Kims do not differ greatly on policy issues, both have been prominent opposition figures for many years and appear to see this campaign as the fulfillment of a lifelong struggle. A third opposition candidate, Kim Jong Pil, prime minister for a time under Park, was expected to draw votes away from Roh.

Should the election proceed fairly, South Korea will have brought about a political miracle to rival its economic miracle. What are the ingredients that have made such a change possible?

## Fertile Soil for Democracy?

***Seoul, a blend of the traditional and the modern, is home to 20% of South Korea's population.***

THE OVERTHROW of President Marcos of the Philippines in 1986 sparked a euphoria in both the U.S. and South Korea. Many hoped that the combination that worked so well there—people power and U.S. quiet diplomacy—would be equally successful in South Korea. On both sides of the Pacific many shared the sense that "it is time" for South Korea to become a democracy.

Economically and socially, South Korea is a favorable candidate for democracy. Its citizens have a good standard of living, and income is fairly equitably distributed. Its homogeneous population (its largest minority is 30,000 Chinese) shares a common ethnic identity and a common language, enabling it to avoid the bitter communal strife that so many countries have struggled through. Its literacy rate, over 90%, is one of the highest in the world. (One fifth of the nation's budget goes to education.) Yet, many of these same things were true in South Korea 10 years ago, as it entered a particularly repressive stage in its history. What is different in 1988?

For the past 25 years, South Korea's economy has been one of the world's miracles. From 1960 to 1985, South Korea's exports grew from $30 million to $30 billion.

### A committed middle class

The effects of this economic growth on individual South Korean citizens have been revolutionary. A 45-year-old South Korean has lived under Japanese occupation, war, poverty and prosperity. Since 1960 he would have seen his annual income grow from $95, about the same as the annual per capita income in Cambodia, to $2,300 in 1986, comparable to that of Portugal. Some 75% of South Koreans responding to a

*Kim Young Sam (foreground left), candidate of the Reunification Democratic party: "...People power is there—a desire to have democracy in this country."*

*Kim Dae Jung (foreground right), candidate of the Peace and Democracy party: "I am the one who is needed today."*

**THE OPPOSITION: THE TWO FACES OF KIM**

survey consider themselves members of the middle class.

The support of South Korea's middle class for political liberalization has been one of the most important factors in prodding the government toward greater change. In the mid-1960s, in response to a survey in which they were asked to rank their goals, South Koreans put economic growth first, security second, political democracy third. A more recent survey found that democracy placed first and economic growth third.

At the same time, middle-class people are basically conservative and well remember the annual "spring hungers" that lasted through the mid-1960s when, short of grain, they were forced to eat grass and tree bark. Should political upheaval threaten South Korea's economic progress, this group might swing back toward a more conservative position. Therefore, the economy will play an important role in the evolving political drama.

The government estimates that an economic growth rate of 6% will be necessary to maintain the current standard of living. Despite an extraordinary growth in exports in 1986-87, analysts believe that South Korea will have difficulty in maintaining its past export growth. The growth of world trade has slowed greatly since the boom years of the 1960s and South Korea's major trading partners, the U.S. and Japan, are not eager for more imports. Lower-cost producers, such as China and India, are bringing stiff competition to traditional South Korean markets.

South Korean workers may be less willing in the future to make the economic sacrifices necessary for the country to be a low-cost producer. More than 650 strikes took place in South Korea last summer. According to the International Labor Organization (ILO), South Koreans in 1984 put in the world's longest workweek, 54.3 hours—or close to 8 hours a day, 7 days a week. Men earn $2.26 an hour; women, $1.07. The economic think tank Korea Development Institute concluded that if there are prolonged strikes, South Korea's economy would slow from its current 15.3% growth rate to about 5%. Export growth could slow from 35% to 6%.

## Confucianism modernized

When Roh Tae Woo announced his willingness to accept direct presidential elections he confounded many experts who thought such a compromise, or even concession, was outside the bounds of Korean tradition. Roh's gesture appears to be a sign that South Korea's culture is changing and it is possible that these changes will make democracy more viable. At the same time, with a legacy that dates back 10 times longer than that of the U.S., it would be wise, cautions South Korea's ambassador to the U.S. Kim Kyong-Won, "not to expect a small U.S.A."

South Korea's culture is rooted in the Confucian ethical tradition. Under the Confucian order all relationships, social, familial and political, are hierarchical. Orders go from top to bottom—as from elder brother to younger brother—and obedience flows upward, as from ruled to ruler. Feelings of loyalty among family members are expected to be stronger than citizenship.

The effect of Confucianism on South Korean politics is to give it a dynamic different from that which the West is used to. Whereas Western values tend to emphasize the importance of the individual and the rule of law, South Koreans have favored a stronger executive and have emphasized the community over the individual.

These traditional values have been tested by the sweeping demographic and economic changes of the past 40 years. The greatest change has been in the extensive urbanization of South Korea. In 1960, 28% of South Koreans lived in cities. Today, 55% do. Four cities have a population of more than 1 million, including Seoul, which has more than 10 million residents. Urbanization has weakened ties among families while encouraging South Koreans to turn to political and religious groups.

Another challenge to Confucianism has been the emergence of businessmen as influential actors in politics. Traditionally, business was a less prestigious occupation than law or government. Today, South Korea's business leaders wield great clout and are thought to be a moderating influence, since they recognize that their country's ability to export and to attract private investment depends on internal stability.

Through its close alliance with the U.S., South Korea has been exposed to Western values and religions. Today there are almost as many Christians in South Korea as there are Buddhists. Many see the Christian church as the voice of opposition.

### A country on the alert

The military played an important role in all three earlier transitions of power: prodding Rhee to resign, taking power from Chang, and seizing control after Park's death. The success of any experiment in democracy will depend on the approval of the military, which has had a loud voice in government because of South Korea's constant state of military preparedness.

Practice air raids are held in Seoul on the 15th of every month. The highway to the capital has checkpoints and tank traps. These are preparations against a threat that is real. In 1968, North Koreans led a commando attack against the Blue House (the presidential residence). That same year, the North Koreans captured an American intelligence vessel, the USS *Pueblo*, and held the crew captive for nearly a year. Since 1971, three North Korean tunnels have been found under the DMZ, wide enough to let through an invading division of several thousand men. In 1983, in an effort to kill President Chun, North Koreans exploded a bomb in Rangoon, Burma, killing 17 South Koreans, including four cabinet ministers.

The military may be more willing to accept change today than in the past. First, the military may be feeling more secure today with its modern arms and a much stronger armaments industry. Secondly, the U.S. commitment to South Korea appears much firmer today than it was a decade ago when President Jimmy Carter began to withdraw U.S. troops.

The commitment of South Korea's military to democracy will be tested should the winner of the election be Kim Dae Jung. Senior generals have made it clear that they think Kim is a dangerous leftist. The army chief of staff caused an uproar when he said "something unhappy might happen" if Kim ran for president.

The most combustible ingredient in the current political situation is South Korea's youth. Only about 2% are considered committed to radical change, but many tend to be more anti-American and pro-socialist than their elders. They are likely to press for greater changes than those favored by either the current government or the opposition.

### Youthful passions

They are a group that cannot be ignored. More than 60% of South Korea's population is 30 or younger. They are too young to remember the Korean War or the sacrifices of their parents in the years succeeding it. One survey taker found to his surprise that when asked what was the greatest tragedy in South Korea's history since 1945, more students at Seoul National University said Kwangju than the Korean War.

The youth are not likely to be satisfied with the results of the coming months. Both the opposition and the government favor a continuation of the economic strategies that have guided South Korea for the past quarter century. The students want a redistribution of income to benefit the poor. The success of a peaceful transition will depend on the degree to which the candidates can stop the majority of youth from becoming radicalized.

The above are the internal factors affecting South Korea's changing politics. External factors are also influential. The most important is the role of North Korea.

**THE GOVERNMENT AND ITS CANDIDATE**

***President Chun (left): "Only smooth implementation of the election can guarantee that the government will be transferred peacefully."***

***Roh Tae Woo (right), candidate of the Democratic Justice party: "I pledge my utmost efforts to create a dynamic...democratic society where law and order prevail."***

# Will the Hermit Kingdom Open Up?

NO CHANGE CAN take place in South Korea without consideration of the North's reaction. So far, South Korea's political drama has unfolded without interruption from P'yongyang, the capital of North Korea. Whether this is a reflection of North Korea's preoccupation with its own anticipated change of leadership or the quiet before an attack is a subject of debate.

## Hermit Kingdom

North Korea is a modern-day version of the Yi Dynasty, which closed itself off from the outside world so completely that it was described as the Hermit Kingdom. Even more than most Communist societies, North Koreans are deprived of information sources other than those of the state. Is North Korea likely to open up? That will depend on Kim Il Sung.

Kim, 75, has governed North Korea for over 40 years, making his rule one of the world's longest. He is soon to turn power over to his son, Kim Jong Il, 46. The transition will be traumatic, given the importance of Kim Il Sung to North Korea. It will focus the North Koreans' attention on the home front.

Although the North Koreans have formally rejected the Confucianism that guided them for a millennium, Kim Il Sung is as much the center of North Korean life as the Chinese emperor was for his country. (For this reason, his style of government has been called Kim-ilsungism.) North Koreans must always wear a pin with his picture on it. His birthday and his son's are national holidays. Museums and monuments to Kim's career exist throughout North Korea, among them a 95-room Museum of Korean Revolution. Schoolchildren are taught to sing a song that begins: "We are eternally happy under the bosom of the Great Leader Comrade Kim Il Sung. There is nothing to envy in the whole world. We are living in the paradise on earth."

Some believe the transfer of power will go smoothly if only because father-son transfers are an accepted part of the Confucian tradition. But the younger Kim is unlikely to command the unwavering loyalty that his father does. And he will face daunting economic problems.

**Great Leader Comrade Kim Il Sung is shown visiting a unit of the Korean People's Army in this government news agency photo released in 1980.**

## Economic growing pains

North Korea's past economic progress has been impressive by the standards of other less-developed countries, particularly Communist ones. Although exact figures are not available, its estimated per capita gross national product (GNP) of roughly $900 would put it in the same World Bank "lower middle-income country" category as Jamaica and Peru. But to compete with South Korea, North Korea will have to improve its economic performance.

In the years after the Korean War, it was North Korea that was the great economic success story. It had most of Korea's heavy industry and mineral resources. Larger than South Korea (it occupies 55% of the peninsula), it has half the population (20.4 million compared with the South's 41.1 million).

But in the 1960s North Korea began to fall behind. One problem was the drop-off in Soviet aid. The Soviets had been major aid donors to the North Koreans, contributing, along with Eastern Europe, $1.2 billion.

The path to development chosen by North Korea had certain built-in problems. Whereas South Korea had chosen to integrate itself with the world, North Korea chose instead an extreme form of self-reliance. This philosophy, which Kim Il Sung named *Juche*, was believed by the North Koreans to be a form of communism most relevant to Third World needs. But the inefficiencies of this type of self-sufficiency, administered by a highly centralized government, slowed growth. A high level of defense spending—some 15% to 20% of GNP—also hurt growth.

In 1987 North Korea was declared by two West European banks to be in default on $770 million in loans. Although North Korea has appealed to the West for funds, its unpaid debt makes it unattractive to foreign investors. It will probably have to turn to the Soviet Union for the assistance it needs. But this may lead to a tilt that Kim Il Sung has hoped to avoid.

### Juggling allies

North Korea is allied with both China and the Soviet Union (its defense treaties with both of them date back to 1961), but it has struggled hard to preserve its independence by favoring first one and then the other while pursuing its own agenda.

Relations with the Soviet Union were strained for a long time because of Kim's anger at the lack of Soviet support during the Korean War. Relations further deteriorated in 1956 after Soviet leader Nikita S. Khrushchev denounced Stalin's cult of personality. Kim believed that Khrushchev was also criticizing his system of government. The low point came after the Soviets reduced aid in the early 1960s when the North Koreans refused to take their side in the falling-out with China.

The centuries-old special relationship of the Koreans with the Chinese and the cooperation between Chinese and Korean Communists against Japanese domination in the 1920s give them a greater affinity for each other. However, the Chinese-North Korean relationship has also had its ups and downs. During the Chinese Cultural Revolution (1966-69) activists in China called Kim Il Sung a fat revisionist pig. The North Koreans were angered by China's opening its doors to the U.S.

Notwithstanding its Juche ideology, North Korea's need for Soviet assistance to overcome its economic problems may be leading it to a closer relationship with the Soviets. In 1984, Kim Il Sung visited the U.S.S.R. for the first time in many years. The next year Soviet military support appeared to increase. New MIG-23 planes were spotted in North Korea. The Soviets now have overflight rights and access to North Korean ports for naval use.

Some analysts believe a closer alliance with the Soviets may have a moderating effect on North Korea since the Soviets are probably no more willing today than they were in 1950 to get involved in a war over Korea. Others think an attack is imminent. Time is running out for Kim Il Sung, they argue, and he will have to act soon if he wishes to reunify the peninsula. Thanks to its military buildup, Seoul will be all but invincible in a few years. Such analysts note that North Korea has moved 65% of its troops closer to the DMZ in the last few years. For such reasons, security remains South Korea's priority.

# South Korean Foreign Policy

AS A UNIFIED NATION, Korea would rank fourteenth in world population, twenty-fourth in world income. It would be a more formidable regional power than South Korea already is. This is one reason why reunification is a primary foreign policy goal of the Korean people. But peaceful reunification is unlikely for now. Thus, security remains the Koreas' first concern.

Unlike West and East Germany, which maintain diplomatic and trade relations, both Koreas remain as implacably opposed to the other's regime today as they were four decades ago. The Koreas today are among the most heavily armed countries on a per capita basis in the world. The North has 784,000 men under arms and 300,000 in the reserves. South Korea's military numbers 602,000, and there are over 1.2 million reservists. There are also 41,500 U.S. troops and the U.S. deploys tactical nuclear weapons there.

Since each looks to a superpower for its protection, the peninsula today is very much like the cold-war world before détente. "Next to the Middle East, South Korea is probably the part of the world where American interests and world peace are most threatened," wrote former ambassador to Japan Edwin O. Reischauer and Edward J. Baker of the Harvard-Yenching Institute. It is one of the few spots where U.S. and Soviet troops might meet.

The cornerstone of U.S.-South Korean relations is the 1954 Mutual Security Treaty in which the U.S. pledged to aid South Korea in case of an attack. In support of that commitment, the U.S. stations the Second Infantry Division in South Korea. The U.S. troops serve, along with 40% of South Korea's troops, under a U.S. four-star general, who is head of the Combined Forces Command as well as the UN Command.

The challenge for each Korea is to impress on its protecting superpower that security is a shared concern. Said one Korean political scientist referring to the U.S., "Sometimes Korea is very important, sometimes it isn't. It all depends on the degree of confrontation

***A soldier patrols the DMZ that cuts across Korea.***

82

with the Soviet Union, which is in part a function of American domestic politics." The erosion of American popular support for the war in Vietnam was of particular concern to the South Koreans as they believed it weakened the credibility of the American commitment to their security.

In 1969, President Richard M. Nixon announced his intention to reduce America's role as world policeman (later known as the Nixon Doctrine). South Koreans interpreted that to mean less support for their country, and this view was reinforced in 1971 when Nixon withdrew one third of the U.S. troops there. Following the U.S. opening of relations with China, South Korea decided to increase its security by building up its armaments industry. It has done this so successfully that, like North Korea, it is today one of the world's major arms sellers. In the mid-1970s, South Korea considered building a nuclear bomb, but, under U.S. pressure, it decided against. (South Korea was one of the original signatories of the 1968 Treaty on the Non-Proliferation of Nuclear Weapons; the North acceded to the treaty in 1985.)

In 1977, President Carter said that he intended to remove the remaining U.S. ground forces, which are kept in Korea at a cost of about $2.4 billion a year, but not air and naval forces. Carter thought the army and economy of South Korea were sufficiently strong that it could defend itself without U.S. ground forces. In 1979, the Carter Administration halted the troop withdrawal and the issue largely died with the arrival of the Reagan Administration.

Japan's proximity to South Korea makes it the country most at risk should North Korea invade. This prompted the reopening of Japanese-South Korean relations in 1965 and the payment of war reparations. It is also a major reason for the several billion dollars in Japanese grants and credits to South Korea over the last two decades.

### Unpopular action

Park's opening to Japan was an unpopular action. Memories of the Japanese occupation are still vivid to many Koreans and there is also anger at Japan's treatment of the 700,000 Koreans who live there. (South Korea resents Japan's fingerprinting aliens, among them Koreans who had lived in Japan for decades.) Japan has its own list of grievances against South Korea, one of the foremost being the 1973 kidnapping of Kim Dae Jung from a Tokyo hotel room. Japan objected to the conduct of South Korea's internal disputes on its territory.

Nonetheless, relations between the two countries have gradually improved. Japan's interest in keeping South Korea non-Communist is clear, as is South Korea's interest in good relations with one of the world's major economic powers. In 1983 Japan pledged $4 billion in aid to promote South Korean economic growth. In 1986 President Chun paid a state visit to Japan and called on Emperor Hirohito, who apologized for Japan's earlier occupation of Korea.

### The true Korea

Next to security, recognition as the legitimate government of Korea is the most important of South Korea's foreign policy goals. South Korea scored a great coup when it was named host of the 1986 Asian Games and the 1988 summer Olympics. P'yongyang tried unsuccessfully to interest the Soviet bloc in boycotting the Olympics; it then tried to get as many events for its stadiums as possible and in the fall of 1987 it proposed joint-Korean teams.

South Korea is increasingly overshadowing P'yongyang as a model of Third World development as well. Its economic success and its sales of weaponry have earned it friends and admirers in the Third World.

At this point neither country is likely to be recognized as the sole legitimate Korea. Fifty countries (among them the U.S.) have diplomatic relations only with South Korea; 37 with the North; and 67 with both. The prospects for reunification are fading.

### Reunification talks

In 1971, Red Cross societies of both Koreas met to see about the reuniting of families. This led to the joint communiqué on North-South dialogue of July 4, 1972, in which both sides committed themselves to a peaceful reunification of their country. They agreed to forswear outside interference. But the talks soon stalled. One of North Korea's preconditions was the withdrawal of U.S. troops, unacceptable to South Korea. The talks have continued sporadically but have yielded little.

Reunification is a dream for many Koreans, to whom South Korea's 40 years of division looks like a small period of time out of more than a thousand years as a unified state. But the desire for reunification may dwindle as the two Koreas continue to go their separate ways. In addition to their political and economic systems, the two are developing different cultural patterns and already some words in the language have different meanings on opposite sides of the DMZ.

## U.S.-South Korean Relations

IN SEPTEMBER 1987, Roh Tae Woo visited Washington, D.C., for six days. It was an odd time to make such a trip. With a presidential campaign to run, several major strikes at home and the possibility of a military coup, Roh might have been expected to stay in Seoul. Yet his reasons for making the trip and the U.S. response were a good barometer of U.S.-South Korean relations.

Roh and his followers hoped the meeting with Reagan would enhance his reputation in South Korea and establish his legitimacy as a candidate and as a potential leader of South Korea. Critics objected to what looked like American involvement in the South Korean elections. Kim Dae Jung said he viewed the meeting as "a sign of continuing [U.S.] support for the military government." For the Reagan Administration, the trip put Washington in the uncomfortable position of welcoming a friend and yet trying not to endorse him. This was quite a change from America's original role in South Korea.

As its military occupier (1945-49) and then the principal source of foreign aid ($12.6 billion, half in the form of military assistance) the U.S. has had a great deal of leverage in South Korea. The establishment of a separate republic in the south, by UN-observed elections in 1948, was a U.S. initiative. In 1962-63, when the military seemed reluctant to allow a transition to civilian government, the U.S. pressed them to do so. President Lyndon B. Johnson urged South Korea to open relations with Japan.

With the reduction of direct foreign aid (which was cut off entirely in 1980), the withdrawal of some troops and the opening to China, U.S. leverage became less important and the South Koreans—with their own growing economic power—had less need for U.S. support. During the Carter Administration U.S.-South Korean relations were tense, both because of his desire to withdraw troops and his focus on human rights abuses.

### Reagan Administration

South Korea has been an important concern of the Reagan Administration, which, until recently, has fostered close ties with the government and downplayed the human rights issue. President Chun was the first head of state invited to visit the newly elected president in 1981. In 1983, Reagan visited South Korea and said to the National Assembly: "[Y]ou are not alone people of South Korea, America is your friend and we are with you."

The U.S. maintained a fairly low profile throughout the June 1987 demonstrations. When the government party held a convention to nominate Chun's successor, the U.S. sent its ambassador to attend, which the opposition (despite U.S. disclaimers) interpreted as a sign of approval for Roh. But after that, President Reagan sent a letter to Chun, calling on him to hold talks with the opposition. Since then, the U.S. has declared itself in favor of a transition to democracy, but has not favored any particular candidate.

For the U.S., the most difficult policy decisions will take place if the smooth transition of power runs off course. One of the most likely problems would be a takeover of the government by the military. The U.S. has been outspoken in cautioning the military not to make such a move. Yet the U.S. has acquiesced to military actions in the past, and it is not clear that it would act differently if history repeats itself.

Another possible problem would be a period of weak government and public unrest, leading to economic and security difficulties, as in 1960. Such a situation would threaten Northeast Asian regional security by tempting a North Korean invasion or a South Korean revolution.

### Anti-Americanism

The antigovernment protests of the summer of 1987 brought to the fore the anti-Americanism of many South Koreans. Although a majority still rank the U.S. their favorite ally, there are grievances. Many opposed to the Chun government believe the U.S. could have prevented it from coming to power. Others believe that the U.S. was partially responsible for the South Korean troops' violent handling of the protests in Kwangju in 1980, since it is inconceivable to them that South Korea could have mobilized the troops without at least a nod from the U.S. (This is denied by the U.S.) And many blame America for Korea's division.

Given the strength of these feelings, there has been some debate as to what policy the U.S. should adopt toward the elections. The Reagan Administration has said it will stay neutral and will leave it to South Koreans to pick their next president. Critics have argued that by taking no side the U.S. is in effect endorsing the government. By meeting with Roh, President Reagan conveyed that same impression.

Another catalyst of anti-American feeling has been the U.S. troops stationed in South Korea, and particularly the unusual arrangement of having such a large percentage of South Korean troops under U.S. command. "[W]hile this subordination has been accepted over the years with a remarkable degree of grace . . . in current circumstances it is beginning to grate on nationalist sensibilities," wrote former Ambassador to South Korea William H. Gleysteen Jr. and former foreign service officer Alan D. Romberg. While South Korea is unlikely to press for a troop withdrawal, it might request separate commands for the American and South Korean forces. Another possibility would be to have a South Korean commander in charge of all ground forces.

### A trade imbalance

Economic relations are currently the most contentious aspect of U.S.-South Korean relations. America's trade imbalance with South Korea was $7.3 billion in 1986—the fifth year of deficit. Although that does not approximate the $59 billion trade deficit with Japan, Americans are losing patience with countries that are running up large trade surpluses with their country, particularly when they believe those countries are undercutting U.S. products by using low-paid labor. South Korea, which sends 40% of its exports to the U.S., has promised that it will try to limit its trade surplus with the U.S. in 1987 to the $7.3 billion it ran up the year before.

The Reagan Administration has put pressure on the South Koreans to raise the value of their currency, the won. By keeping it artificially low, as the Administration argues they have, the South Koreans make their exports lower priced and therefore more competitive. The Administration has also pressed for the South Koreans to open their markets further, especially to service industries and agricultural products. Said Assistant Secretary of State for East Asian and Pacific Affairs Gaston J. Sigur Jr., "South Korea has earned full membership on the team. With that full membership comes the obligation to help maintain the free trading system from which it has benefited so greatly."

The South Koreans have responded that it is not fair for the U.S. to compare them with the Japanese and make the same demands the U.S. makes of Japan. Unlike that country, they note, they spend a significant portion—6%—of their economy on defense and they are already doing their share of trade liberalization. Also, they argue, it is unfair at a time when South Korea is undergoing tremendous political change to expect it to undergo great economic change as well. They warn that the U.S. is in danger of overloading the system.

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South Korea is on the verge of great changes. The U.S., with its extensive political, economic and military ties to South Korea, can affect the direction of these changes. What should the U.S. do to help South Koreans turn toward democracy?

**OPINION BALLOT on page 96**

## For Discussion

**1.** If the transfer of power takes place on schedule in South Korea, would you consider that country a democracy? If not, what other changes would you want to see take place?

**2.** If there is a military coup in South Korea, how do you think the U.S. should respond? If the government (either military or civilian) is threatened by civil strife, should U.S. forces be made available to help restore order?

**3.** Reagan's meeting with presidential candidate Roh Tae Woo sparked feelings of resentment among some South Koreans who saw it as an endorsement of his campaign. Should Reagan have met with Roh? Should the U.S. endorse an opposition candidate?

**4.** What parallels do you see between political developments in South Korea and the Philippines? What are the differences?

**5.** Once the South Korean army reaches the point at which it considers itself strong enough to defend the country, should the U.S. consider withdrawing its troops? Should it withdraw air and naval forces as well? Should it do so now?

**6.** Should the U.S. step up its pressure on South Korea to liberalize its restrictions on U.S. imports? Or should the U.S. wait until the political transition has passed before it makes economic demands?

**7.** What effect do you think the transition of power in North Korea is likely to have on that government? If the North Koreans continue to make overtures for foreign investment, do you think the U.S. should consider opening relations with that country?

**8.** The citizens of the two Koreas share a common cultural heritage that goes back more than a millennium. Do you see similarities between the two societies?

**9.** South Koreans have prepared for many years to make a success of the summer 1988 Olympics. How important a factor do you think the Olympics were in Roh's decision to hold direct presidential elections? Do you think the Olympics are likely to prod the North Koreans into violent action or do you think they will cause North Korea to moderate its policies for a time to project a favorable image?

## Suggested Readings

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"South Korea: A Crucial Moment." **The New York Times**, April 5, 6, 7 and 8, 1987. Four-part series examines nature of the opposition to President Chun; changes taking places in North Korea; economic growth.

Tanzer, Andrew, "Korea Grows Up." **Forbes**, November 16, 1987, pp. 90-96. Author believes South Korea's economic unrest will make it an even fiercer competitor.

*For further in-depth reading, write for the GREAT DECISIONS '88 Bibliography (See Page 2).*

**ILLUSTRATION CREDITS: pp. 73 and 78, AP/Wide World Photos; p. 74, Robert Mansfield; p. 76, Reuters/Bettmann Newsphotos; p. 79, Department of Defense.**

# Western Europe

# 8

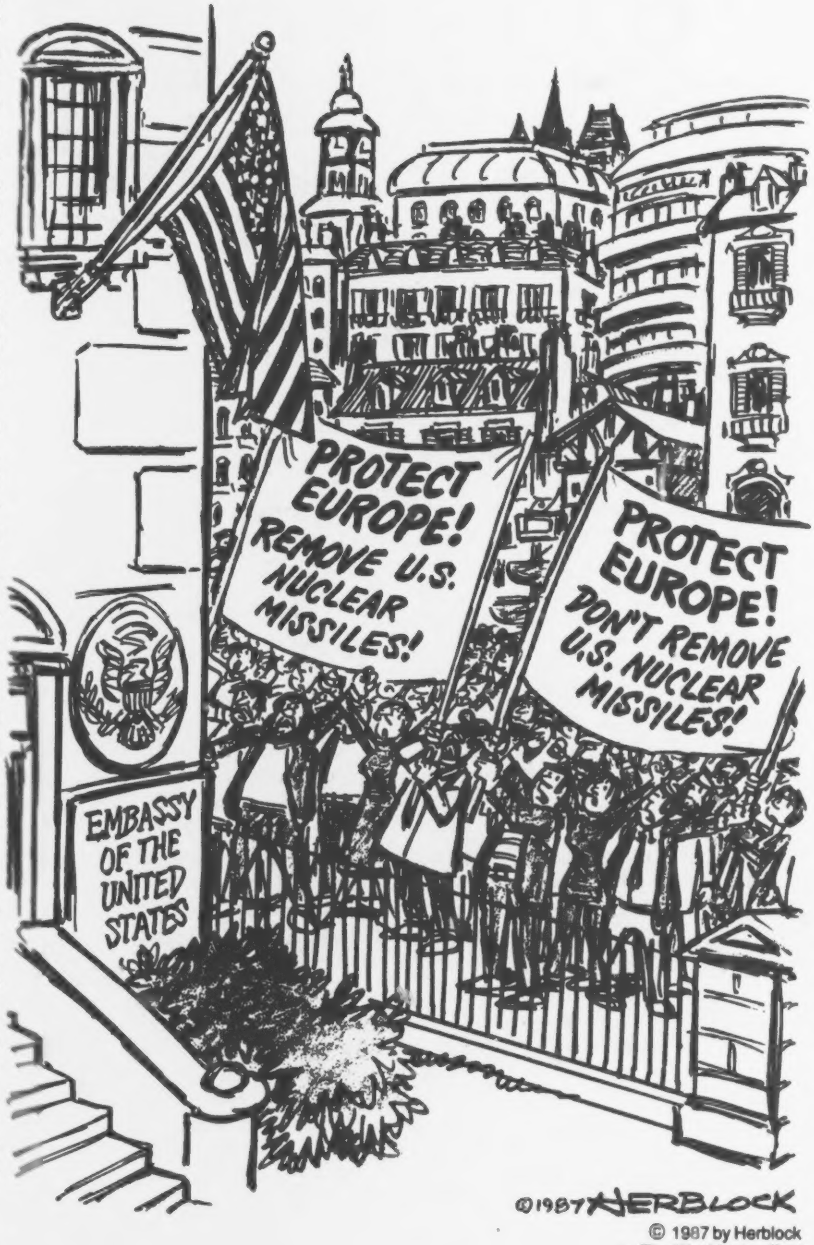
## BETWEEN THE SUPERPOWERS

In October 1986, President Ronald Reagan and Soviet General Secretary Mikhail S. Gorbachev met in Reykjavik, Iceland, to discuss nuclear arms control issues in preparation for a possible summit meeting in the U.S. During the course of the talks, the two leaders ventured into uncharted territory. Gorbachev called for the elimination of all long-range nuclear weapons by the year 2000; Reagan countered with a proposal to eliminate all nuclear ballistic missiles within 10 years. Although Reykjavik ended without agreement, many observers concluded that the meeting represented a watershed both in the arms control negotiations and in U.S.-European relations.

Moreover, many who thought so were not happy about it. In the U.S., experienced military and arms control analysts charged the Reagan Administration with not having thought through the implications of its proposals. "Reykjavik," wrote former Secretary of Defense James R. Schlesinger, "represented a near disaster from which we were fortunate to escape....Perhaps the summit's only useful result is that it has changed what had been the universal European clamor for an arms control agreement into a keen European awareness that such agreements might seriously damage their security interests."

At Reykjavik, the U.S. discussed—without consulting its West European allies—eliminating the nuclear weapons that Western Europe has relied on to deter a Soviet attack for the past four decades. This raised anew questions in many West European minds about the future of the North Atlantic Treaty Organization (NATO) that links the U.S. and Western Europe, and about the extent to which West Europeans can continue to depend on the U.S. for their security.

Indeed, West European—especially West German—reservations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PROTECT EUROPE! DON'T REMOVE U.S. NUCLEAR MISSILES!
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***British Prime Minister Winston Churchill, U.S. President Franklin D. Roosevelt and Soviet leader Joseph Stalin at Yalta, February 1945.***

complicated prospects for a more modest agreement between the U.S. and U.S.S.R. limiting intermediate-range nuclear forces (INF) for nearly a year after Reykjavik. But in September 1987, Soviet Foreign Minister Eduard A. Shevardnadze and U.S. Secretary of State George P. Shultz met in Washington and agreed "in principle" to eliminate all longer- and shorter-range INF. Critics of the agreement, like former Secretary of State Henry A. Kissinger, think it spells a serious crisis for the alliance.

Concerns about NATO's future have been raised on numerous occasions before, as the alliance has gone through crises of confidence over nuclear strategy, East-West relations, Third World policies and economic issues. The very real differences of interest and outlook on various issues between the U.S. and some West European countries have led people on both sides of the Atlantic to question whether each would be better served by at least a lessened dependence on the alliance.

What do West Europeans, wedged as they are between the Soviet Union, whose motives they distrust, on one side, and the U.S., whose values they share, on the other, find most threatening? What reassures them? Can they continue to rely on the U.S. for security? Or would they be better advised to become more self-sufficient? Should they move toward a more neutral position between the superpowers rather than putting so much emphasis on their military alliance with the U.S.? And what about U.S. interests? Are Americans well served by their defense tie with Western Europe, or would they be better off without it?

## Two Europes

In February 1945, on the eve of victory for the U.S. and its World War II allies, Britain, France and the Soviet Union, over Nazi Germany, U.S. President Franklin D. Roosevelt, British Prime Minister Winston Churchill and Soviet leader Joseph Stalin met at Yalta, a resort in the Soviet Crimea. They discussed, among other things, how to prevent German power from ever again threatening the peace in Europe. The agreement they reached in effect gave political permanence to the military division of Europe in existence at the end of the war, with Soviet troops in control of Eastern Europe and with U.S., British and French forces predominant in most of the rest. In return, the U.S.S.R. promised to adhere to basic standards of freedom and human rights, including "the right of all people to choose the form of government under which they will live" and to hold democratic elections at the earliest possible time.

Critics have blamed Roosevelt and Churchill ever since for permitting the creation of a Soviet satellite system in Eastern Europe. But neither believed at the time that he had sanctioned such a degree of Soviet control, and no one, in the West at least, realized how permanent the division would become—or how quickly and thoroughly the rivalry between the U.S. and U.S.S.R. would come to dominate the postwar world order.

However, subsequent events hardened the division. While the U.S. demobilized as rapidly as it could, the war-devastated countries of Western Europe tottered toward economic and political collapse. This was fertile ground for European Communist parties and their allies in the Kremlin. When the British announced in March 1947 that they could no longer maintain their presence in the eastern Mediterranean, Greece was in the throes of a civil war between the royal government and Communist-led guerrillas, and the Soviet Union was threatening Turkey, which controlled the only Soviet access to the Black Sea. Recognizing that the U.S. was the only country in a position to counterbalance the growing strength of the Communists in Europe, President Harry S. Truman pledged to help any country faced with the threat of Communist invasion or subversion. To back up this commitment, the U.S. sent aid to Greece and Turkey in 1947 and provided over $13 billion in Marshall Plan aid to 16 European countries between 1948 and 1951.

In the meantime, the Soviet Union was consolidating its hold over Eastern Europe, in violation of the Western understanding of the Yalta terms. In 1946, Churchill made his famous speech warning that Moscow was building an Iron Curtain across Europe. Between 1945 and 1948, Bulgaria, Hungary, Poland and Romania were all converted to "people's democratic republics" under tight Soviet control.

By 1948, when democracy in Czechoslovakia came to an abrupt end, congressional alarm in the U.S. was strong enough to overcome the traditional American fear of "entangling alliances." A bipartisan majority in June approved the Vandenberg Resolution calling for the association of the U.S. with a regional "collective security arrangement" in Europe, paving the way for the signing of the North Atlantic Treaty on April 4, 1949, and the creation of NATO. In 1955, the Soviet Union set up the East European equivalent of NATO, the Warsaw Pact. Where the allied Soviet and Western troops had met at the time of Germany's surrender in 1945 was now the front line of the cold war.

### Europe between the superpowers

The division of Europe has, in the words of one observer, turned out to be "the first set of stable relationships Europe has known since the rise of German power [in the late 19th century]." There has not been a war in Europe—or between the superpowers—since the end of World War II.

But the postwar situation created new problems for West Europeans. The era when West European nations were colonial powers dominating the global political order ended with World War II. Smaller and weaker than the two superpowers, West European governments chose a military alliance and a close economic and political relationship with the U.S., an ocean away, to protect themselves from their Communist neighbors.

When NATO was first formed, West European dependence on the U.S. for its defense was unavoidable, and U.S. willingness to provide assistance and protection served both Europeans and Americans well. West European governments could concentrate on rebuilding their economies, and the U.S. could count on West European support for its foreign policy objectives. But, as Kissinger once wrote, "while generosity makes hegemony bearable it does not render it acceptable." The transatlantic relationship at its smoothest has never been totally calm.

### The legacy of Yalta

Most European-American quarrels can be traced to a difference of opinion over security. Although there is general agreement that the Atlantic alliance exists to guard against "the Soviet threat," Europeans and Americans frequently disagree over the exact nature of that threat and the best strategy for countering it.

At the root of the problem lies the geographic fact that "we [the U.S.] are here and they are there." Europeans know that should a war break out, it would probably be fought on European territory.

Europeans are not unfamiliar with war; two devastating world wars have been fought in Europe in this century. Americans have been more fortunate: except for the Japanese attacks on Pearl Harbor and the Aleutian Islands during World War II, there has not been a war on U.S. territory since the Civil War. Of the 50 million lives lost during World War II, fewer than 1% were American. The Europeans' fear of war and their proximity to the Soviet Union make them acutely conscious of the fine line between guarding against hostile Soviet actions and provoking them—a line which they think Americans, from their different vantage point, sometimes overlook.

## European Security: West Germany

THE FAULT LINE through Central Europe cuts through the middle of what was a united Germany before World War II. Today it is one of the most heavily armed stretches of ground anywhere on earth. Of all the NATO allies, West Germans feel the division of Europe most acutely: with access to family and friends in East Germany controlled by one superpower while their defense rests with the other, West Germans are uniquely exposed to the complexities and dangers of life in a divided Europe.

### Flashpoint: Berlin

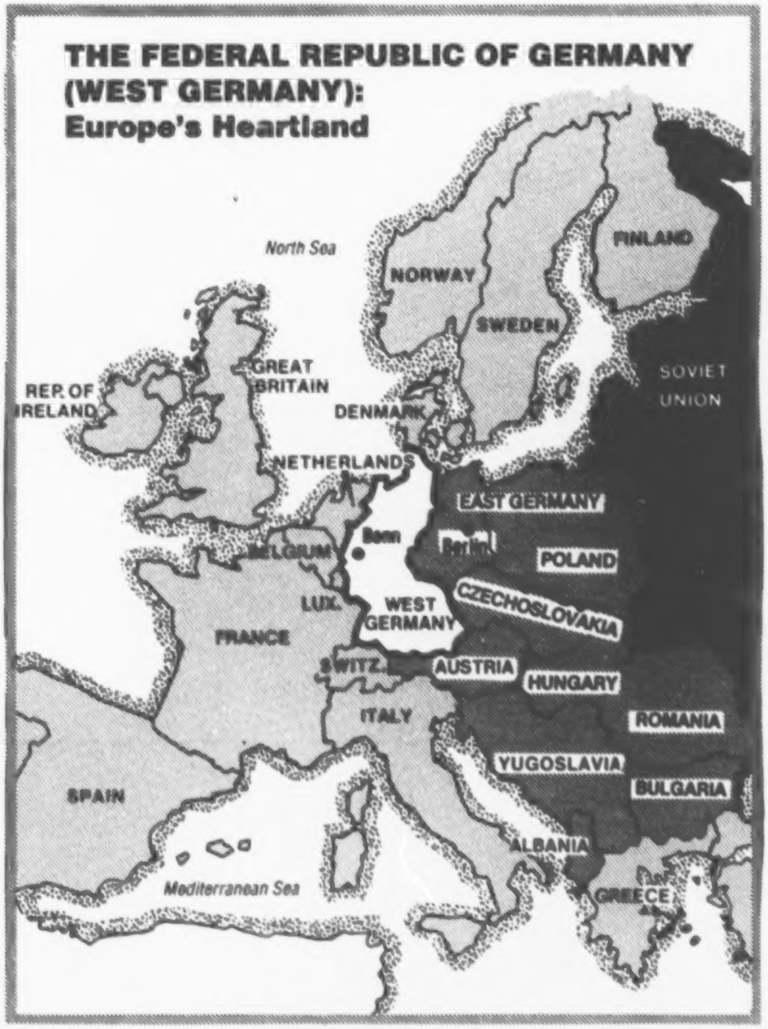
At the close of the war, the occupation forces of the U.S., Britain, France and the U.S.S.R. divided the defeated country into four administrative zones, as had been agreed at Yalta. Berlin, the former capital, 100 miles inside the Soviet zone, was similarly divided into four parts. The division was to be temporary, but the occupying countries never reached agreement on how Germany was to be governed. With the onset of the cold war, the temporary lines between the western and eastern zones hardened into political partition.

The U.S. and the Soviet Union took steps that eventually bound their German zones to their own political blocs. The U.S., French and British zones were merged in 1948. The three powers then decided to ensure the political stability and economic viability of their part of Germany by organizing it into a new entity, eventually the Federal Republic of Germany (FRG). The Soviet Union tried to force the West to drop its plans for the new state by cutting off Western access to Berlin. The blockade failed because of the successful year-long airlift of vital supplies mounted by the U.S. and its allies, and the FRG came into being with the proclamation of its Basic Law in September 1949. The Soviet Union announced the birth of the German Democratic Republic (GDR) the following month. Berlin's vulnerable location inside the Soviet bloc underscored West Germany's precarious position and made the city a focus of East-West tensions for two decades.

The 1950 invasion of South Korea by Communist North Korea, apparently with the knowledge of the Soviet Union, heightened European and American fears that the U.S.S.R. might be planning to attack Western Europe. NATO leaders decided that in order to strengthen Western defenses, West Germany should be rearmed, but only on condition that it renounce the manufacture of nuclear weapons and that its armed forces be integrated into the alliance—and therefore under U.S. command. West Germany rearmed and was accepted as a full member of NATO in 1955. Immediately thereafter, the Soviet Union established the Warsaw Pact and allowed East Germany to create its own armed forces.

### The German question

Following both world wars, "the German question" concerned how to find a way to prevent Germany, the most populous and powerful country in Europe aside from Russia, from starting another conflict. Since 1945, Germany's European neighbors—both east and west—have felt more secure because the country is divided, and because the military power of the


**THE FEDERAL REPUBLIC OF GERMANY (WEST GERMANY): Europe's Heartland**

larger, stronger Federal Republic is constrained by its participation in NATO.

Although most West Germans continue to feel, as they have since they joined NATO, that their participation in the alliance is essential to their security, at the same time they have a strong interest in expanding ties with East Germany. To West Germans today, the German question has to do with how they can overcome the worst effects of the division without alarming their neighbors.

West Germany's Basic Law kept the possibility of reunification open. The preamble closes by calling upon "the entire German people...to achieve in free self-determination the unity and freedom of Germany." Until 1969, reunification remained a formal goal of the West German government in Bonn. It refused to recognize East Germany—or to deal with any government that did recognize it (except the Soviet Union)—claiming to be the sole representative of all of the German people. During this period, the policies of the ruling conservative Christian Democratic and Christian Social Union parties served to weld West Germany more firmly to the Western alliance. The Federal Republic and the U.S. developed a close relationship, which strengthened as the "German miracle" of economic revival turned West Germany into a major economic power.

The opposition Social Democratic party (SPD) argued during the 1950s that increasing military cooperation with the West would make reunification impossible. But under the leadership of West Berlin Mayor Willy Brandt in the early 1960s, SPD thinking gradually changed. Brandt emphasized the need for a close defense and economic relationship with the West as well as diplomatic ties with the East aimed at overcoming the worst effects of the division—the separation of families, the restrictions on travel, the severed economic ties, and the vulnerability of West Berlin.

Several events helped swing a majority of West Germans over to the SPD way of thinking. One was the construction of the Berlin Wall, which was built in 1961 to stop a mass migration of East Germans to West Berlin. To the dismay of West Germans, NATO's response to construction of the wall was limited to a verbal protest.

The following year, Moscow attempted to base nuclear weapons in Cuba, within striking distance of U.S. territory. The crisis, which brought the superpowers to the brink of nuclear war, alarmed Europeans, who feared they would be drawn in, even though the issue was not a European one, and without being consulted. Europeans welcomed the lessening of tensions between the superpowers in the wake of the crisis, although they were also fearful of U.S.-Soviet dealings from which they were excluded. But the easing of tensions between the superpowers also cleared the way for West Germany to pursue its own diplomatic overtures to the East.

When Brandt became chancellor in 1969, *Ostpolitik*, or "eastern policy," became the guiding philosophy of the West German government. In the future, West Germany would seek security through diplomatic initiatives to the East as well as through its ties to NATO. Over the next three years, West Germany signed a series of treaties which served to defuse some of the major sources of conflict in Central Europe, including Berlin. These were:

- the 1970 renunciation of force treaty with the U.S.S.R. that declared the postwar boundaries of Germany inviolable;
- the 1970 treaty with Poland that recognized the Oder and Neisse rivers as the boundary; West Germany renounced all claims to Polish territory;
- the 1972 "basic treaty" with East Germany that recognized the status quo between the two countries and adopted the formula of "two states in one nation."

Critically important, the four occupying powers of Berlin negotiated the Quadripartite Agreement, signed in

1971, that recognized the rights of both East and West in Berlin. The U.S.S.R. assured unimpeded access to West Berlin from West Germany and recognized West Berlin's right to maintain and develop contacts with West Germany, but Berlin was declared "not to be a constituent part of West Germany."

Contrary to earlier West German policy, Brandt's "*Deutschlandpolitik*"—that aspect of Ostpolitik dealing with relations between the two Germanys—accepted the division of Germany as a fact of life, and focused on softening its effects. Unlike the Christian Democratic government's approach, Brandt's idea was to establish diplomatic contacts with the East *first*, rather than insisting on reunification as a precondition. In this way, he hoped to reduce tensions between the Germanys and to allay East European suspicions of the FRG. In a calmer, more predictable atmosphere, human, cultural and economic ties across the Iron Curtain could be multiplied to the benefit of both East and West Germans, perhaps making the long-term goal of reunification more likely.

### Future West German policy

Ostpolitik has remained central to West German foreign policy even though the SPD lost power in 1982 to a coalition led by the Christian Democrats, who had opposed the policy. The improvement of inter-German trade and political relations has produced tangible benefits for West Germans: normalization of what had been a volatile situation in Berlin, increased personal contacts with East Germans, and a profitable strengthening of economic ties between East and West Germany provided a major boost to the already thriving West German economy.

As tensions with the East have lessened, "the Soviet threat" seems a less immediate menace to many West Germans. At the same time, public concern about nuclear weapons has risen. Today, a greater percentage of the population than ever before is actively interested in the country's defense policies, a chronically touchy subject. A majority of West Germans have shown conclusively that they continue to support the government's policies by returning Chancellor Helmut Kohl's strongly pro-NATO government to power in 1983 and again in 1987. The opposition SPD, meanwhile, has moved to the left, and today supports some policies that, if adopted, would have a significant impact on NATO strategy, such as calling for a nuclear-free zone in Central Europe and the creation of West German armed forces that are "structurally incapable of aggression." Whether the SPD would actually hold to this line if returned to office is unclear.

## The Nuclear Dilemma

THE NATO TREATY provides that "an armed attack on one...shall be considered an attack against...all." When the treaty was first signed, it was mainly a symbol of the American political commitment to Western Europe, resting on a unilateral pledge by the U.S. that it might respond to any conventional attack on Western Europe with nuclear strikes on the Soviet Union—a strategy that became known in the 1950s as massive retaliation.

The idea behind the guarantee was to *deter* the Soviet Union from attacking by convincing Moscow that the U.S. response would be so devastating as to outweigh any conceivable gain. Nuclear deterrence depends both on military capabilities and on credibility: the other side has to believe that you can and will inflict unacceptable damage on it if provoked.

The defense of NATO's European members depends on "extended deterrence"—effectively "coupling" the nuclear arsenal of the U.S. to the defense of Europe in a highly visible way, so that both the Soviet Union and West Europeans feel sure that the U.S. will quickly become involved if war breaks out in Europe. Since the 1950s, coupling has also been assured by a large U.S. military presence in Europe (over 325,000 ground troops today) and an American commander in chief of NATO forces. But because of the Soviet strength in ground forces, the nuclear component of deterrence has always been considered crucial.

When the U.S. possessed clear nuclear superiority, its threat to respond with nuclear weapons to a conventional attack on Western Europe was believable. But by the time massive retaliation became official NATO policy in 1954, Soviet advances in nuclear weapons had already begun to undermine the credibility of the strategy. In 1957, the Soviet Union successfully tested its first intercontinental ballistic missiles (ICBMs), which gave it the means to strike back. (With a range of 4,000 miles or more, ICBMs can hit the territory of one superpower from the territory of the other. The U.S. also calls weapons with such a range "strategic.") Once Moscow could strike back, some West European observers began to doubt that the U.S. would necessarily treat an attack on Europe as an attack on itself. French President Charles de Gaulle made this argument most forcefully to justify pulling his country out of NATO's integrated military structure in 1966.

### Flexible response

Seeking to put European doubts to rest and to bolster the credibility of its nuclear deterrent, the U.S. developed the policy of flexible response. Under this doctrine, NATO would respond to a limited attack with limited means, rather than being forced to make the dubious claim that it would risk an all-out nuclear war and the devastation of American territory in response to, say, an isolated Soviet attack on a West German military base. The strategy calls for a "ladder of escalation options," from conventional through intercontinental-range nuclear, which would permit NATO to match or prevail over the Soviet Union at any level of conflict.

Although NATO officially adopted flexible response in 1967, it did so only after a lengthy debate. Flexible response, to many Europeans, implied the possibility of a "limited war," which sounded to them as if it might mean "war limited to Europe." As historian Theodore Draper put it, the principle that a limited war is preferable to a full-scale conflict "is reasonable enough—so long as no one asks where the level is...located or where that limited war is going to take place." Americans, on the other hand, were interested in avoiding an all-out strategic nuclear exchange that would put American territory at risk over a European issue. This has made coming up with a common NATO defense policy that is agreeable to all an extremely difficult and always politically charged proposition. Flexible response was designed to circumvent this problem by being intentionally ambiguous: as one study put it, the doctrine calls for the use of nuclear weapons in defense of Europe "as soon as necessary but as late as possible."

### Defense and détente

The same year that flexible response became official NATO doctrine, NATO released the Harmel Report, which established defense and détente—a lessening of tensions—as the "twin pillars" of the approach to be taken by the alliance toward the Soviet Union. The Harmel Report was an answer to critics of NATO like de Gaulle and the political left in some countries who charged that defense was being pursued at the expense of political solutions, making life in Europe more, not less, dangerous. The inclusion of détente as a component of Western strategy toward the Soviet Union helped build a consensus in Western Europe on security matters that lasted for over a decade.

European détente also linked West European efforts to those of the U.S., which had been pursuing arms control and other negotiations with the U.S.S.R. since the Cuban missile crisis. The U.S. was not without reservations about some European thinking: it feared that too much friendliness between Western Europe and the Communist East might weaken NATO, or even encourage the rise of neutralism—especially in West Germany. But the Administration of Richard M. Nixon (1969-74) hoped that the alliance could agree on overall guidelines that would keep Europe from lowering its guard.

The American concept of détente was to use the common U.S. and Soviet interest in avoiding nuclear war as "a springboard for building a network of mutually advantageous relationships." As conceived by Nixon and his chief foreign policy adviser Kissinger, détente was to work primarily through "linkage": offering the Soviets the possibility of agreements in areas of special concern to them—for example trade, which would give them access to more Western capital and technology. The idea was to discourage Moscow from seeking to upset the status quo by giving it a greater stake in the existing world order.

The crowning achievements of U.S.-Soviet détente came in 1972. At a summit meeting in Moscow between Nixon and Soviet leader Leonid I. Brezhnev, the SALT I (strategic arms limitation talks) agreements—the Interim Agreement on strategic offensive weapons and the Antiballistic Missile (ABM) Treaty—plus a number of other treaties and a statement on basic principles of coexistence were signed.

The U.S. reaffirmed its support for détente in Europe by participating in the European negotiations on reducing nonnuclear forces (the mutual and balanced force reductions, or MBFR talks) that got under way in 1973 and are still continuing, and in the 35-nation Helsinki Conference on Security and Cooperation in Europe, for which preparations began the same year. Under the Helsinki accords signed in 1975, the West agreed to accept Europe's existing boundaries in return for Soviet promises to respect human rights and fundamental freedoms.

### Détente unravels

Improved superpower relations began to unravel in less than two years when it became clear that Washington and Moscow understood détente and the signed statement on basic principles to mean different things. Moscow did not gain the "mutually advantageous" trade it sought, mainly because of the Jackson-Vanik and Stevenson amendments to the 1974 Trade Act that made U.S. trading privileges contingent upon an improved Soviet human rights policy. (See Topic 4.) Washington also failed to win a Soviet commitment to stay out of Third World political and military struggles. Although Moscow maintained that it had never promised to stop providing military and economic support to "revolutionary" regimes, Americans felt betrayed: it seemed to them that Moscow had taken advantage of a more relaxed international climate to gain unilateral advantage.

Although the superpowers did sign a second arms limitation agreement (SALT II) in 1979 during the Administration of Jimmy Carter (1977-81), Senate ratification of the treaty became a casualty of deteriorating relations. (The U.S. nevertheless agreed to honor its terms.) Détente gradually developed into a dirty word in the American political vocabulary as the atmosphere between the superpowers soured. This posed a knotty problem for West Europeans—especially the West Germans—who could point to a number of tangible benefits from European détente and who did not want these gains jeopardized by Soviet-American quarrels.

In retaliation for the December 1979 Soviet invasion of Afghanistan, the Carter Administration embargoed grain and high-technology exports to the Soviet Union and boycotted the 1980 Moscow Olympics. Washington urged its allies to join it in these sanctions. But although Western Europe supported the embargo of militarily relevant technology, it declined to support the rest of the sanctions. (West Germany was the only European country to boycott the Olympics.) Europeans did not feel they should have to go along with American political and economic policies on issues that fell outside of the Atlantic defense area. In addition, past experience with economic sanctions had taught them that Europeans would suffer from them more than Moscow. But to Americans, this lack of support from allies dependent upon U.S. military protection smacked of ingratitude or worse—blindness to a growing Soviet threat.

### The pipeline and Poland

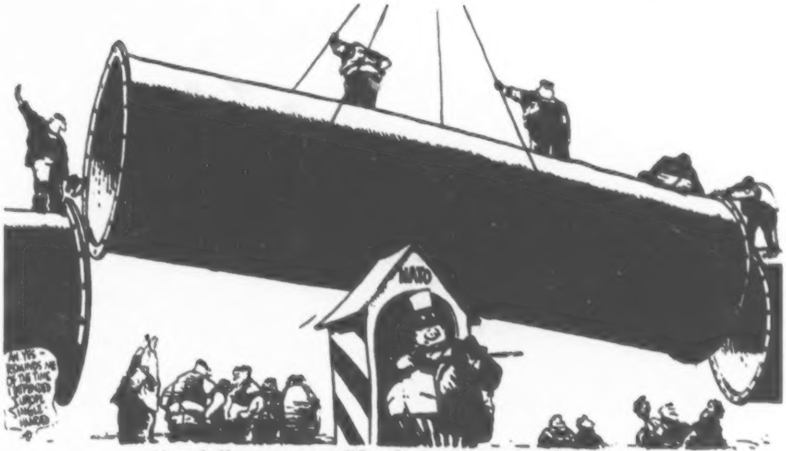
A more serious crisis in the alliance was precipitated by the Soviet-West European pipeline deal negotiated in 1978. In return for supplying the Soviet Union with capital, equipment, materials and technology to construct a natural gas pipeline from Siberia to Western Europe, six West European countries were guaranteed delivery of approximately 5% of their total energy needs over 25 years. Both the Carter and Reagan Administrations opposed the deal. They argued that depending on the Soviet Union for energy would make Western Europe more vulnerable to political blackmail, and that providing technology and some $8 billion to $10 billion in hard currency to Moscow was tantamount to a direct contribution to the Soviet military. Europeans responded that they needed an alternative source of oil to the volatile Middle

East, and that the amount of oil and gas they would receive through the pipeline did not constitute dependence.

In December 1981, the Polish government, under pressure from Moscow to clamp down on the independent labor movement Solidarity, declared martial law. Washington retaliated against Moscow by forbidding U.S. firms to export oil and gas technology or equipment to the Soviet Union, and urged West European countries participating in the pipeline project to follow suit. When they refused, the U.S. extended its trade sanctions to include overseas subsidiaries and licensees of U.S. firms. Washington in effect was asserting the right to tell West European firms that they could not fulfill their contract obligations. This did not sit well with West European governments, who resented Washington's challenge to their sovereignty.

In the U.S., the conclusion many drew was that West Europeans had become so addicted to détente that they were prepared to tolerate Soviet behavior—including aggression in Afghanistan and repression in Poland—in order to preserve it. But to most West Europeans, the pipeline deal was a straightforward, good-sense economic deal, without the menacing strategic implications the U.S. saw in it. West Europeans were also incensed because Washington was asking economic sacrifices of them while at the same time lifting its own embargo on grain sales to the Soviet Union in order to appease U.S. farmers.

Apparently persuaded that this acrimonious marital dispute was more injurious to the health of the alliance than the pipeline, the Reagan Administration eventually backed down, settling for an agreement to reexamine East-West trade guidelines.


NATO
AH YES — REMINDS ME OF THE TIME
SINGLE-HANDED

**'You fellas go on with whatever you're doing —**
**I'll just stand here and guard us against the rascally Russians**
**. . . sneaking Soviets . . . cunning commies . . . '**

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## Euromissiles and the Future

U.S.-European differences over Afghanistan and Poland were indications of how much the relationship between the U.S. and its Atlantic allies had changed since the late 1940s. Western Europe had developed into an economic power, helped by the formation in 1957 of the European Economic Community (EEC), a free-trade zone with a common agricultural policy and external tariff. The Community had more weight than its six members would have had on their own, and had become both an important economic partner—and rival—of the U.S.

Moreover, the image of the U.S. as a powerful global actor had been tarnished by its long, unpopular and ultimately unsuccessful involvement in the Vietnam War (1965-75), by the Watergate scandal (1972-74) and by the inability of the Carter Administration to end the 444-day Iran hostage crisis (1979-81). On top of this was the fact that the Soviet Union had caught up with the U.S. in the arms race by the 1970s, casting further doubt on the effectiveness of the U.S. nuclear umbrella.

### The peace movement

By the end of the 1970s, too, the consensus over the Harmel formula of détente and defense was in trouble. Europeans were shocked when Defense Secretary Caspar W. Weinberger told a group of NATO defense ministers in 1981 that "If the movement from cold war to détente is progress, then let me say we cannot afford much more progress."

And there was trouble on the defense front. During the mid-1970s, while Moscow and Washington engaged in the SALT II negotiations to limit their intercontinental nuclear arsenals, the Soviet Union began deploying a new generation of intermediate-range nuclear weapons—the Backfire bomber and the SS-20 missile—aimed at Western Europe. (These weapons are usually referred to as INF. Longer-range INF, like the Backfire and the SS-20, can travel between 600 and 3,400 miles; shorter-range INF can travel between 300 and 600 miles. There are also nuclear weapons with still shorter ranges, known as tactical or battlefield nuclear weapons, with ranges of 0 to 300 miles.)

In an influential speech in October 1977, West German Chancellor Helmut Schmidt warned that European interests were being ignored in the SALT II talks: if the U.S. and Soviet Union agreed to reduce their strategic nuclear weapons to equal levels, they would in effect cancel each other out, leaving Europe decoupled from the U.S. and vulnerable to the growing Soviet superiority in INF weapons in Europe.

West European concern led NATO

## The INF deal:
### what will be eliminated

| U.S. | U.S.S.R. |
|---|---|
| **Longer-range (600-3,400 miles)** | |
| **Pershing II**<br>108 launchers<br>108 warheads | **SS-20**<br>441 launchers<br>1,323 warheads |
| **Cruise**<br>116 launchers[1]<br>464 warheads | **SS-4**<br>112 launchers<br>112 warheads |
| **Shorter-range (300-600 miles)** | |
| **Pershing IA**[2]<br>72 launchers<br>72 warheads | **SS-12/22**<br>110-20 launchers[3]<br>110-20 warheads |
| | **SS-23**<br>20 launchers[3]<br>20 warheads |

[1] Due to be deployed by late 1988; number currently deployed is classified.
[2] Not specifically mentioned in agreement.
[3] U.S. Government estimates; the U.S.S.R. does not release these figures.

Sources: U.S. Government, International Institute for Strategic Studies, Jane's Weapons Systems, The Associated Press

to undertake two major studies that resulted in the dual-track decision of December 1979. One track called for the development and deployment in Europe of new U.S. INF weapons—Pershing II ballistic missiles and cruise missiles. The second track called for arms control negotiations with the Soviets aimed at removing all INF from Europe. The call for arms control negotiations was included primarily to make the new weapons more palatable to that part of the European public—especially in West Germany—that viewed the addition of more nuclear weapons to the Western arsenal, even in response to a Soviet buildup, as adding to the risks of a nuclear conflict in Europe.

When there was no movement at all on arms control during Reagan's first months in office, West European opposition to the missiles gained momentum. Several weeks after some 250,000 demonstrators turned out in Bonn to protest the stationing of the missiles—and after full consultations with NATO—the Reagan Administration presented Moscow with the proposal foreshadowed by the dual-track decision. This was the "zero option" proposal of November 1981. The U.S. offered to cancel the deployment of American Pershing II and cruise missiles if the Soviet Union would eliminate all of its INF weapons. Because the U.S. missiles were not scheduled to be installed for another two years, the proposal asked Moscow to trade something for nothing. The European governments welcomed the offer, which they did not expect Moscow to accept, since it enabled them to tell their publics that the ball was now in the Soviet court. "The purpose of this whole exercise," one then State Department official put it, "is maximum political advantage. It's not arms control we're engaged in, it's alliance management."

The first of the missiles were installed in West Germany and Britain in November 1983. In the face of the peace movement's campaign against the missiles and Moscow's attempts to prevent their emplacement, the deployment was widely hailed as a triumph for NATO. But the INF crisis had raised once again—this time with an unprecedented level of public debate—alliance disagreements over nuclear weapons issues.

### Reykjavik and Washington

The storm temporarily died down once deployment began. But three years later, at Reykjavik in October 1986, Gorbachev offered the West the very deal the U.S. had offered Moscow back in 1981: the zero option, with the exception that each side would be able to retain 100 INF missiles on its own soil. Reagan agreed in principle—without consulting the allies—to remove the very missiles that had been so politically costly to put in.

This placed West European leaders in a quandary: how could they now reject a proposal they had previously endorsed? West European publics by and large supported the proposal, which put added pressure on their governments. On the other hand, some experts feared that flexible response would be weakened if all NATO's longer-range INF were removed—even if Soviet INF were eliminated as well—because of Soviet superiority in nonnuclear weapons. West Germany was also concerned that the zero option did not address shorter-range INF missiles, a category in which the Soviet Union has a near monopoly. (The U.S. has none, although West Germany has 72 Pershing IA missiles, whose warheads are under American control.)

Following the Reykjavik meeting, an INF agreement was hammered out that Soviet Foreign Minister Shevardnadze and U.S. Secretary of State Shultz agreed to "in principle" in September 1987. All longer-range and shorter-range INF missiles on both sides will be eliminated, under what has been dubbed the double-zero approach. Bonn removed what appeared to be the last major hitch to the agreement in August 1987 when it offered to scrap its Pershing IA missiles once U.S. and Soviet INF were eliminated, as the Soviets had demanded. (Both the U.S. and West Germany had maintained that these missiles could not be a subject for U.S.-Soviet talks, since they are German, not American missiles.)

The agreement received a mixed reception on both sides of the Atlantic. Former NATO commander General Bernard W. Rogers, for example, has argued repeatedly that removal of the missiles would eliminate NATO's ability to strike targets inside the Soviet Union from Western Europe. "We can't have just disadvantaged conventional forces on one hand and strategic nuclear forces on the other and no coupling in between....You have to have nuclear weapons in there someplace. That's what makes our deterrent credible...." Former President Nixon and former Secretary of State Kissinger argued in a *Los Angeles Times* op-ed piece that "removing medium- and short-range nuclear weapons would simply make Europe safe for conventional war."

Others disagree that INF are that crucial: nuclear deterrence is effective so long as an adversary cannot rule out your nuclear response to his aggression, according to this point of view. This requirement is more than met by the presence of over 325,000 American troops in Europe in addition to the rest of the roughly 50,000 nuclear weapons in the U.S. arsenal that can reach Soviet territory. Supporters also point out that the plan will require the Soviet Union to remove over three times as many missiles as NATO. The agreement will also not affect the independent French and British nuclear forces, or the bombers and battlefield nuclear weapons in Europe.

### Strategic rethinking

Another issue on the U.S.-Soviet agenda, outside of the INF agreement, is the elimination or reduction of all nuclear ballistic weapons—including the ICBMs that form the backbone of the U.S. nuclear deterrent, a prospect which has refocused European attention on the inadequacy of NATO's conventional forces and on the question of how much longer Europe's dependence on the U.S. for its defense could last.

These concerns were reinforced by other developments in strategic thinking. Some critics of Reagan Administration policies, among them former Secretary of Defense Robert S. McNamara, have suggested that the U.S. adopt a "no-first-use" nuclear weapons policy—that is, abandoning the threat to respond to a conventional attack on Western Europe by using nuclear weapons.

Nuclear weapons, to McNamara, "serve no military purpose whatsoever. They are totally useless—except...to deter one's opponent from using them." Moreover, supporters of no-first-use worry that basing military plans on the assumption that NATO would use nuclear weapons first—however incredible the assumption—may actually increase the risk of nuclear war through accident or miscalculation.

The implications of no-first-use worry most European leaders. In a 1983 *Foreign Affairs* article, four West Germans argued that a no-first-use declaration would actually *increase* the probability of war by freeing Moscow from the "decisive nuclear risk" it knows it runs if it attacks Western Europe under current NATO policy. A no-first-use declaration would undermine NATO solidarity by destroying the "confidence of Europeans and especially of Germans in the European-American alliance as a community of risk...."

Although the U.S. government has emphasized repeatedly that it will not adopt a no-first-use policy, its commitment to the Strategic Defense Initiative (SDI, popularly known as Star Wars) has shaken European faith in the continued American commitment to such a community of risk. The goal of SDI is to develop and build a defensive shield against ballistic missiles. The Administration has embarked on a concomitant effort to redefine the terms of the 1972 ABM Treaty to permit research, testing and development of SDI systems that Administration critics believe are forbidden by the treaty. Although Reagan promised that any defense system would protect Western Europe as well, Europeans are skeptical that SDI could work and concerned that it may be blocking agreement on a new strategic nuclear arms control accord. Above all, in the words of Christoph Bertram, chief political editor of the West Germany weekly, *Die Zeit*, Europeans fear that "the U.S. will remain vitally concerned about Europe only if its own survival is at stake." Despite their eagerness to take advantage of any technological and economic benefits SDI research may bring (many European firms have signed contracts with U.S. firms on SDI projects), what underlies West European worries is the prospect of having to face Soviet conventional might alone.

### A nonnuclear deterrent?

The reigning conventional wisdom in NATO has been that the Warsaw Pact so outnumbers NATO in nonnuclear weapons and troops in Europe that Western Europe could not withstand a full-scale Soviet attack without the U.S. nuclear deterrent to back it up. In order to reduce reliance on nuclear weapons, NATO in recent years has developed new weapons technologies and strategies to help counter the Warsaw Pact's numerical superiority. Former NATO commander Rogers has urged that NATO members raise defense spending by 4% annually in order to pay for the expensive new technologies. However, given the failure of most West European governments to meet a 1978 goal of 3% real annual increases and the fact that most face a serious budget crunch, substantial defense increases seem unlikely. Manpower is also becoming more of a problem as West European population growth rates decline and fewer young people are available for military duty.

There are growing numbers of analysts, European and American, who are challenging the longstanding assumption of NATO's conventional inferiority. French weapons and troops are not counted in NATO totals; if they were, these critics say, the numbers would be much more favorable to NATO. And since the French, without formally rejoining the alliance's military structure, are increasing their cooperation with European defense efforts—especially with West Germany—it is probably wrong to assume that they would not fight were Germany attacked. French

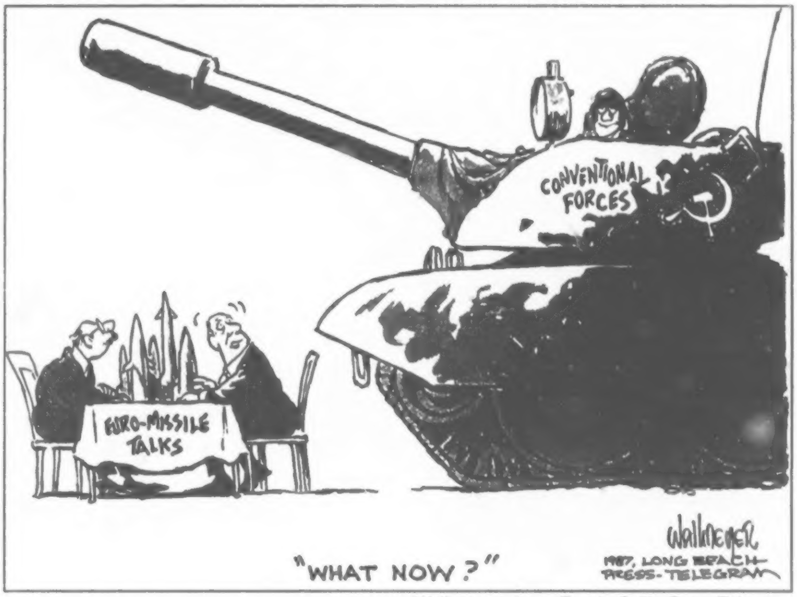
#### The East-West Conventional Balance in Europe

| | NATO | Warsaw Pact |
|---|---|---|
| Aircraft | 2,672 | 4,586 |
| Main battle tanks | 20,314 | 46,610 |
| Artillery | 8,974 | 24,035 |
| Antitank guns and missile launchers | 2,091 | 5,075 |
| Antiaircraft guns | 3,379 | 3,525 |
| Surface-to-surface missile launchers | 387 | 1,235 |
| Surface-to-air missiles | 786 | 5,365 |
| Division equivalents[1] | 38 1/3 | 90 |
| Total ground forces deployed in Europe[2] | 1,858,000 | 2,704,000 |

[1] NATO divisions normally have more people; Warsaw Pact divisions have more tanks and artillery.

[2] Does not include Spanish troops, which are not yet part of NATO's integrated military structure.

Source: International Institute for Strategic Studies, ***The Military Balance 1986-1987***



Wallmeyer in Long Beach, Calif., *Press-Telegram.*

President François Mitterrand has declared on more than one occasion that "If France's survival depends on what happens on our borders, its security depends on what happens on our neighbors' borders."

Analysts also point out that despite the Warsaw Pact's greater numbers of tanks and antitank weapons, NATO has superior air power. NATO also has only one well-armed adversary to contend with; the Soviet Union has the People's Republic of China on its eastern flank as well as NATO to its west. Above all, NATO is more politically cohesive than the Warsaw Pact.

Those who favor developing a stronger conventional deterrent, among them British military historian Michael Howard, argue that building up conventional forces might meet less popular resistance than expenditures on nuclear weapons, making raising defense budgets an easier task. Those opposed to decreasing reliance on nuclear weapons stress that conventional weapons will never have the deterrent effect of the nuclear threat. "Europeans fear a large-scale conventional war on their territory almost as much, in some moods, as a nuclear conflict," notes long-time State Department official A.W. DePorte.

However, military historian Edward N. Luttwak observes that, like it or not, "the *effect* of nuclear weapons on the military balance has continued to diminish," moving the world toward a "'postnuclear age,' in which the nonnuclear invasion potential of the Soviet Union will have to be matched by nonnuclear defenses of comparable strength." To prepare for the coming era, Luttwak warns, "Washington must either reorganize its military strength... by increasing its forces for defense of the Continent, or it must give up its great power role in Europe."

# NATO's Future: European and U.S. Choices

THE RENEWED DEBATE over nuclear strategy, combined with the continuing (some would say increasing) transatlantic differences in perspective over issues like East-West trade and how to deal with out-of-area challenges to NATO, have made the 1980s a trying time for the alliance. Some, like congressional NATO analyst Stanley R. Sloan, think that the summit at Reykjavik may have marked the beginning of the end for NATO. Others, like DePorte, doubt that this "terminal crisis" is any more serious than the many others the alliance has weathered. French foreign policy analyst Pierre Hassner recalls historian Edward Gibbon's remark about the decline of the Roman Empire: "this intolerable situation lasted for about 300 years."

What kind of alliance would best serve European and American security needs in the coming years? Some ideas currently in circulation follow.

## Policy choices for Western Europe

**✓ Support present NATO structure.** The countries of Western Europe cannot afford to counter Soviet military might alone in an era of tight budgets and shrinking population growth. Should Western Europe attempt to replace the American nuclear deterrent with one of its own, its "national rivalries would be at their most disruptive," *The Economist* magazine warned in a March 1987 editorial. France and Britain, Europe's current nuclear powers, are unlikely to share control over their national nuclear arsenals, and their neighbors would have no reason to place more confidence in a French or British nuclear umbrella than they do in a much stronger American one. Most West Europeans would probably reject any suggestion that West Germany, the one nonnuclear member of NATO most able to pay for a nuclear arsenal, should acquire one. West Germany might refuse under any circumstances, since doing so would violate the 1954 agreement that led to its statehood (as well as the nuclear nonproliferation treaty which it has signed), antagonize its neighbors on both sides and jeopardize the gains of two decades of Ostpolitik.

While preserving the current NATO structure, Western Europe should make every effort to become a more equal partner with the U.S. Europeans should increase their share of NATO's costs to underscore to U.S. skeptics that they are not getting a free ride.

**✓ Move toward a lessened dependence on U.S. nuclear deterrent.** Western Europe should take steps to shore up its conventional defenses to prepare for—and to forestall—the day the U.S. decides it no longer wishes to provide for European security with its nuclear weapons and its troops in Europe. European publics—no matter what policymakers and other experts tell them—tend to see efforts to bolster nuclear deterrence as actually serving to make nuclear war more likely. Given the continuing decline of nuclear weapons as a credible deterrent anyway, increasing reliance on conventional forces is preferable and would do much to restore alliance political cohesion.

✓ **Move toward a position of neutrality between the U.S. and the Soviet Union.** Some on the political left in Western Europe believe that Western Europe's alliance with the U.S. is contrary to European interests. British peace activist E.P. Thompson believes that Europe should become neutral in the sense of "acting as a Third Negotiator, between both superpowers, with the ultimate objective of reunifying European societies and culture." West German journalist Peter Bender writes that what Western Europe needs "is not simple protection from Moscow, but rather security against complications that arise in the interaction between Washington and Moscow." Most who hold these views (and they remain a minority in all West European countries) hope to rid Western Europe not only of all nuclear weapons, but of any conventional weapons or strategies that would look threatening to the Soviet Union.

## Policy choices for the U.S.

✓ **Continue participation in NATO.** Every Administration since Truman's has believed firmly, in Vice President George Bush's words, that NATO "is the best investment in peace we have ever made." No matter what the expense, it pales compared with the cost of another world war. It is cheaper to preserve the balance of power than to restore it once lost, and the U.S. is the only country powerful enough to counterbalance the Soviet Union. Failure to agree on every issue is not grounds for terminating the U.S. commitment to Western Europe. Claims that West Europeans do not pick up enough of the tab for their own defense ignore substantial European contributions to the alliance: 90% of allied forces in Europe, contributions to weapons stocks, the real estate on which U.S. bases are located and the political costs of conscription that enable Europeans to pay less for military salaries, for example. What the U.S. should try to do is to obtain the "maximum of means and commitments" from its allies, rather than stressing the differences.

*Shevardnadze and Shultz in Washington, September 1987.*

✓ **Encourage greater European autonomy in defense.** In 1984, Senator Sam Nunn (D-Ga.), now chairman of the Senate Armed Services Committee and a staunch supporter of NATO, proposed an amendment that would have mandated the withdrawal of one third of U.S. troops in Europe if the allies did not live up to their pledge to increase defense expenditures by 3% annually or make a variety of improvements in their conventional forces. Nunn did not mean the measure to pass (it did not), but rather to make Europeans aware of a growing anti-NATO sentiment in the U.S. It worked: there has been increased defense collaboration among NATO's European members since then, especially on issues such as joint weapons research and standardization. A more recent Nunn amendment sought to encourage this trend by offering a $200 million incentive for joint U.S.-European weapons projects. One rocket system being produced under this arrangement will give the U.S. a new rocket for only 40% of its cost; Western Europe is footing the rest of the bill. Former U.S. ambassadors to NATO David Abshire and W. Tapley Bennett Jr. believe that these kinds of positive incentives, including extensive consultations and a "resource strategy" designed to make the most efficient possible use of NATO's $340 billion annual budget, are the best ways to encourage an increased European contribution to NATO.

✓ **Withdraw from the alliance.** Irving Kristol, editor of the neoconservative journal *The National Interest*, argues that, because of the weakness of NATO's conventional forces, membership in NATO increases the risk of U.S. involvement in a nuclear war. For this privilege, the U.S. is paying enormous sums of money—some $134 billion in 1986—at a time of mammoth U.S. budget deficits. This level of economic commitment not only "subverts Western Europe's will to resist" by encouraging an unhealthy level of dependence, says Kristol, it "interferes with America's responsibilities as a global power." It limits American funds available for military commitments in other areas of the world like the Persian Gulf or the Pacific rim, regions which some believe have become more important to U.S. national security than Western Europe.

* * *

Are a continued American political commitment and military presence in Western Europe at current levels justified? Could Western Europe provide adequately for its own security if the U.S. were to reduce its level of commitment or to end it altogether? Is continued support for NATO something the U.S. can no longer afford, or are the risks of withdrawing from the alliance too costly to contemplate seriously?

OPINION BALLOT on page 96

# For Discussion

**1.** Some experts argue that NATO has been weakened by recurrent crises and must be overhauled. Others say that it is basically sound and serves both U.S. and European interests. Do you expect the alliance to continue more or less in its present form over the coming years? What kinds of changes, if any, would you like to see?

**2.** Many Americans were baffled by what looked like a West European about-face on arms control around the time of the Reykjavik summit. How do you explain West Europeans' sudden reluctance for an arms control treaty? Could the Administration have done anything differently to avoid Reykjavik's unsettling effect on the alliance?

**3.** Critics of the INF agreement see it as the first step toward the "denuclearization" of Europe, which, they argue, will make war more—not less—likely. They think that nonnuclear weapons will not deter war as effectively as nuclear weapons. Do you agree? What steps can NATO and the Warsaw Pact take to make war less likely?

**4.** Some analysts see an INF agreement as relatively unimportant because it leaves the U.S. and Soviet Union with tens of thousands of other nuclear weapons. How important do you think the agreement is? Is its significance more political, military, or both? What arms control steps would you like to see next? How likely do you think they are?

**5.** What were some of the differences between the European and American reasons for pursuing détente with the Soviet Union during the 1970s? Why did Americans and Europeans draw such different conclusions about the experience?

**6.** Do you think the 1979 dual-track decision to base U.S. nuclear weapons in Europe was wise? Are there political measures the U.S. can take to reassure its allies of its commitment to defend them that would not involve additional military hardware?

**7.** The new INF treaty will have to be approved by a two-thirds majority in the U.S. Senate to be ratified. What do you think its chances are? Why?

**8.** The U.S. and Western Europe do not always see eye to eye on trade with the Soviet Union. What lessons can be drawn from how the U.S. handled the 1981 pipeline dispute with Europe?

# Suggested Readings

Adelman, Kenneth L., "Why an INF Agreement Makes Sense." **Vital Speeches of the Day,** June 15, 1987, pp. 514-18. Former director of the Arms Control and Disarmament Agency makes the Administration's case for eliminating INF weapons.

Armstrong, Scott, and Grier, Peter, "Strategic Defense Initiative: Splendid Defense or Pipe Dream?" **Headline Series** No. 275. New York, Foreign Policy Association, September/October 1985. 64 pp. $4.00. Pros and cons of strategic defense by **Christian Science Monitor** reporters.

Bertram, Christoph, "Europe's Security Dilemmas." **Foreign Affairs,** Summer 1987, pp. 942-57. West German journalist discusses the ramifications for the alliance of the INF deal.

Dean, Jonathan, "Military Security in Europe." **Foreign Affairs,** Fall 1987, pp. 22-40. Former U.S. negotiator in the Mutual and Balanced Force Reductions talks discusses the prospects for reduction of nonnuclear forces in Europe.

DePorte, A.W., "France—The Challenges of Renewal." **Headline Series** No. 282. New York, Foreign Policy Association, January/February 1987. 64 pp. $4.00. Overview of current French domestic and foreign policy issues by longtime State Department official.

Kissinger, Henry A., "A New Era for NATO." **Newsweek,** October 12, 1987, pp. 57-60. Former secretary of state thinks the INF accord will spell crisis for the alliance, and suggests steps that should be taken if NATO is to survive.

"Reagan's Suicide Pact." **The National Review,** May 22, 1987, pp. 27-35. Collection of articles by conservatives attacking the INF agreement, including a column by former President Richard M. Nixon and former Secretary of State Henry A. Kissinger and one by N.Y. congressman and presidential candidate Jack Kemp.

Scowcroft, Brent, Deutch, John, and Woolsey, R. James, "A Way Out of Reykjavik." **The New York Times Magazine,** January 25, 1987, pp. 40-42+. Three former government officials urge a reexamination of U.S. nuclear strategy in light of recent developments.

Sloan, Stanley R., "East-West Relations in Europe." **Headline Series** No. 278, March/April 1986. New York, Foreign Policy Association. 64 pp. $4.00. Congressional Research Service specialist on Western Europe examines the problems and prospects for a divided Europe.

"A World Without Nuclear Weapons?" **The New York Times Magazine,** April 5, 1987, pp. 45-54+, Six experts discuss whether the world would be a safer place without nuclear weapons.

*For further in-depth reading, write for the GREAT DECISIONS '88 Bibliography (See page 2).*

ILLUSTRATION CREDITS: p. 93, Pete Souza, The White House.

## GREAT DECISIONS 1988 OPINION BALLOTS

**TOPIC 1:** Projecting U.S. Influence

**Issue A.** There are many effective ways for the U.S. to project its influence. Mark only two: "M" for most effective, "L" for least effective.

______ a. Military power.
______ b. Trade policy.
______ c. Diplomacy.
______ d. Development aid.
______ e. Military aid.
______ f. Covert action.
______ g. Information programs.

**Issue B.** How would you rate the following U.S. foreign policies in terms of advancing U.S. interests? Check one column for each policy listed.

| | 1 very effective | 2 somewhat effective | 3 not very effective | 4 not effective |
|---|---|---|---|---|
| a. Support of Nicaraguan contras. | ______ | ______ | ______ | ______ |
| b. Invasion of Grenada. | ______ | ______ | ______ | ______ |
| c. U.S. military buildup. | ______ | ______ | ______ | ______ |
| d. U.S. military presence in Persian Gulf. | ______ | ______ | ______ | ______ |
| e. Arms control negotiations. | ______ | ______ | ______ | ______ |
| f. Trade protectionism. | ______ | ______ | ______ | ______ |
| g. Promoting Middle East peace conference. | ______ | ______ | ______ | ______ |

**TOPIC 2:** Mexico

U.S. policy toward Mexico has many goals. Mark only two: "M" for most important, "L" for least important.

______ a. Restrict drug traffic.
______ b. Restrict illegal migration to U.S.
______ c. Form a free-trade zone.
______ d. Improve bilateral relations.
______ e. Assure continued access to oil.
______ f. Help relieve Mexico's debt burden.
______ g. Pressure Mexico to support U.S. policy in Central America.

**TOPIC 3:** Trade

**Issue A.** The solution to the trade deficit is likely to present difficult trade-offs for the American public. Which of the following is most important to you? Check one choice only.

______ 1. Low-cost consumer products, even if they are foreign-made.
______ 2. Maintaining U.S. steel and automobile industries, even if they must be protected.
______ 3. Ranking No. 1 among world economic powers, even if it entails a stronger commitment to free trade and greater competition for U.S. goods.
______ 4. High wages and profits, even if they make U.S. products less competitive than those from other countries.
______ 5. Negotiating further reductions in trade barriers, even if some U.S. exports suffer.

**Issue B.** Which policy would be most effective in reducing the trade deficit? Check one option only.

______ 1. Encouraging Americans to purchase only those goods made in the U.S.
______ 2. Reducing the Federal budget deficit.
______ 3. Having a "Marshall Plan" for Latin America to encourage purchases of U.S. products.
______ 4. Passing legislation protecting U.S. industries.
______ 5. Encouraging those industries in which the U.S. has a comparative advantage.
______ 6. Retraining workers in industries that are no longer competitive.
______ 7. Holding regular international meetings to try to stabilize the value of the dollar.

**TOPIC 4:** Soviet Union

For each issue listed below, check the one statement that comes closest to expressing your opinion.

**Issue A.** In economic relations with the Soviet Union, the U.S. should:

______ 1. Loosen barriers to U.S.-Soviet trade and support Soviet participation in international economic organizations.
______ 2. Make loosening of trade barriers contingent on relaxation of Soviet emigration policy and improvements in recognition of human rights.
______ 3. Seek to block efforts of U.S.S.R. to integrate its economy into the global economy because the economic benefits the Soviet Union would realize would help make it a stronger and more dangerous adversary.

**Issue B.** In the field of arms control, the U.S. should:

______ 1. Resist signing arms control agreements because the Soviets cannot be trusted and arms control would provide Gorbachev with a breathing space to build a stronger Soviet military.
______ 2. Take advantage of Gorbachev's eagerness for arms control agreements so that the U.S. and Soviet Union can intensify talks on a broad range of issues.
______ 3. Seek arms control agreements because, regardless of their effect on the Soviets, such agreements are in the U.S. interest economically and strategically.

**TOPIC 5:** Middle East

Rate the following in terms of their effectiveness in safeguarding U.S. interests in the Middle East. Check one column for each policy listed.

| | 1 very effective | 2 somewhat effective | 3 not very effective | 4 not effective |
|---|---|---|---|---|
| a. Continued strong support for Israel. | ______ | ______ | ______ | ______ |
| b. Improved relations with moderate Arabs. | ______ | ______ | ______ | ______ |
| c. Recognition of the PLO and support for its inclusion in negotiations. | ______ | ______ | ______ | ______ |
| d. Acceptance of the Soviets as participants in the Middle East peace process. | ______ | ______ | ______ | ______ |
| e. U.S. military intervention in Persian Gulf. | ______ | ______ | ______ | ______ |

**TOPIC 6:** Environment

**Issue A.** There are many environmental issues on the foreign policy agenda. Mark only two: "M" for most important, "L" for least important.
______ a. Air issues, such as slowing ozone depletion and climate change.
______ b. Water issues, such as cleaning up toxic wastes.
______ c. Food issues, such as preventing soil erosion.
______ d. Energy issues, such as ensuring adequate oil supply and regulating nuclear energy.
______ e. Overpopulation.
______ f. Protection of endangered species.
______ g. Conservation of biological diversity.

**Issue B.** What is the most effective way for the U.S. to respond to environmental problems? Check one option only.
______ 1. Legislate strict domestic laws setting restrictions on pollution.
______ 2. Seek bilateral and multilateral agreements on environmental issues.
______ 3. Let free market forces deal with environmental problems.
______ 4. Give tax incentives to companies combating pollution.

**TOPIC 7:** South Korea

For each issue listed below, check the box to the left of the statement that comes closest to expressing your opinion. Check one option only.

**Issue A.** Should the U.S. pressure South Korea to liberalize its economy?
______ 1. Yes. ______ 2. Yes, but with restraint. ______ 3. No.

**Issue B.** What should the U.S. do to encourage a peaceful transfer of power in South Korea?
______ 1. Do nothing; it is a domestic matter.
______ 2. Endorse the president-elect and hold meetings with him to show approval.
______ 3. Support the opposition.
______ 4. Threaten to boycott the Olympics if the transition does not go smoothly.

**TOPIC 8:** Western Europe

Which of the following policies would be most effective in serving U.S. security interests? Check one option only.
______ 1. Continue U.S. participation in NATO, maintaining current structure and strategy.
______ 2. Encourage greater European autonomy in defense without decreasing American commitment to NATO.
______ 3. Reduce U.S. participation in NATO.
______ 4. Withdraw from NATO and redirect resources to other areas, for example the Persian Gulf or the Pacific Basin.

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______ 1. This is the first year I have participated.
______ 2. I participated in one previous year.
______ 3. I participated in more than one previous year.

B. What is your age?
______ 1. 17 or under ______ 2. 18 to 30 ______ 3. 31 to 45 ______ 4. 46 to 60 ______ 5. 61 or over

C. Your sex?
______ 1. Female ______ 2. Male

D. Do you have a valid passport?
______ 1. Have ______ 2. Have not

E. Have you lived abroad for 6 months or more?
______ 1. Have ______ 2. Have not

F. Are you currently a student?
______ 1. Not a student
______ 2. Enrolled in high school
______ 3. Enrolled in college
______ 4. Enrolled in graduate school
______ 5. Enrolled in adult education course(s)

G. What is the highest level of formal education you have completed?
______ 1. Some high school
______ 2. High school graduate
______ 3. Some college
______ 4. College graduate
______ 5. Advanced degree

H. How often are you asked for your opinion on foreign policy matters?
______ 1. Often ______ 2. Sometimes ______ 3. Hardly ever

I. One final question. Would you say you have or have not changed your opinion in a fairly significant way as a result of taking part in the Great Decisions program?
______ 1. Have ______ 2. Have not ______ 3. Uncertain

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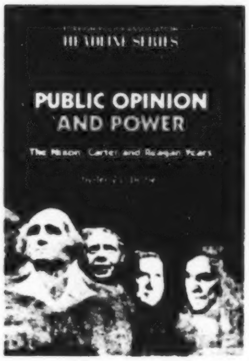
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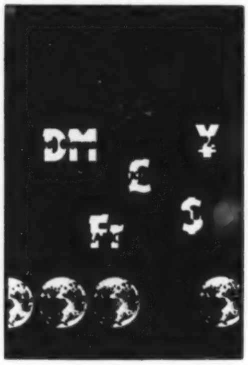

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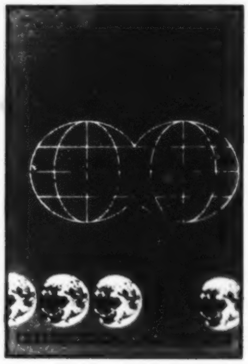

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